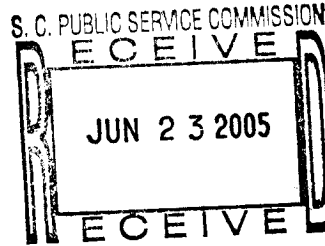


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June 22, 2005

VIA UPS OVERNIGHT

Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

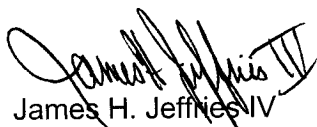
Re: Docket No. 2005-4-G Piedmont Natural Gas Company – Annual Review of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies

Dear Mr. Terreni:

Pursuant to 26 S.C. Code Ann. Regs. 103-869(C)(Supp.2004) and the June 2, 2005 Docketing Department letter establishing dates for prefiled testimony, enclosed please find an original and 26 copies of the *Direct Testimony and Exhibits of Keith P. Maust and Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* in the docket shown above. Please accept the original and 25 copies for filing and return the additional "file-stamped" copy in the enclosed self-addressed stamped envelope.

Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,


James H. Jeffries IV

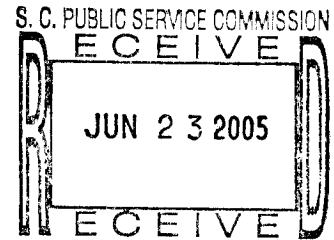
Enclosures

c: ORS (5 copies)
 Mr. Scott Elliott
 Mr. David Carpenter
 Ms. Ann Boggs
 Mr. Keith Maust

Research Triangle, NC
Charleston, SC

**Before The
South Carolina Public Service Commission**

Docket No. 2005-4-G



**Direct Testimony and Exhibits
of
Keith P. Maust

On Behalf Of
Piedmont Natural Gas Company, Inc.**



June 22, 2005

1 **I. Identification of Witness.**

2 Q. Please state your name and your business address.

3 A. My name is Keith P. Maust. My business address is 1915 Rexford Road,
4 Charlotte, North Carolina.

5 Q. By whom and in what capacity are you employed?

6 A. I am employed by Piedmont Natural Gas Company, Inc., (Piedmont) as
7 Director, Gas Supply and Wholesale Marketing.

8 Q. Please describe your educational and professional background.

9 A. I graduated from West Virginia University in 1976 with a Bachelor's
10 Degree in Business Administration. I was employed by Tennessee Gas
11 Pipeline for five years from 1983 to 1988 as an Analyst in the Gas
12 Reserves and Gas Supply departments. I joined Piedmont as a Gas
13 Supply Analyst in July, 1988. I was promoted to Manager of Gas Supply
14 in 1991 and Director of Gas Supply in 1995. In 1996 I was promoted to
15 Director of Gas Supply and Wholesale Marketing.

16 Q. Please describe the scope of your present responsibilities for Piedmont?

17 A. My current major responsibilities include supervision of long and short-
18 term purchasing and scheduling of gas supply and gas cost management
19 activities.

20 Q. Have you previously testified before this Commission or any other regulatory
21 authority?

22 A. Yes, I have presented testimony in 1997, 1998, 1999, 2000,, 2001, 2002,
23 2003 and 2004 and appeared as a witness before this Commission in the
24 matter of the Commission's annual review of Piedmont's Gas Costs and
25 Purchasing Policies (Dockets No.97-007-G, 98-004-G, 99-004-G, 2000-004-

1 G, 2001-004-G, 2002-004-G, 2003-004-G and 2003-004-G), and in the
2 matter of Piedmont's approved hedging policy (Docket No. 2001-410-G). I
3 have also presented testimony and appeared as a witness before the North
4 Carolina Utilities Commission (NCUC) regarding Piedmont's gas purchasing
5 policies and proposed hedging plan and presented testimony before the
6 Tennessee Regulatory Authority (TRA) regarding Nashville Gas Company's
7 Incentive Plan Account.

8 **II. Identification of Piedmont.**

9 Q. Please give a general description of Piedmont and its market in South
10 Carolina.

11 A. Piedmont is a local distribution company principally engaged in the purchase,
12 distribution and sale of natural gas to more than 905,000 customers in South
13 Carolina and North Carolina and the metropolitan area of Nashville,
14 Tennessee. Piedmont serves approximately 128,000 customers in the State
15 of South Carolina. During the twelve month period ending March 31, 2005,
16 Piedmont delivered approximately 24,028,000 dts of natural gas to its South
17 Carolina customers.

18 Piedmont provides service to two distinct markets -- the firm market
19 (principally residential, small commercial and small industrial customers) and
20 the interruptible market (principally large commercial and industrial
21 customers). Although Piedmont competes with electricity for the attachment
22 of firm customers, once attached these customers have no readily available
23 alternative source of energy and depend on natural gas for their basic space
24 heating or utility needs. During the twelve month period ending March 31,
25 2005, approximately 14,285,000 dts, or 59%, of Piedmont's South Carolina
26 deliveries were to the firm market.

1 In the interruptible market, Piedmont competes on a month to month
2 and day to day basis with alternative sources of energy, primarily fuel oil or
3 propane and, to a lesser extent, coal or wood. These larger commercial and
4 industrial customers will buy alternate fuels when they are less expensive
5 than gas. During the twelve month period ending March 31, 2005,
6 approximately 9,743,000 dts, or 41% of Piedmont's South Carolina
7 deliveries were to the interruptible market.

8 **III. Purpose of Testimony.**

9 Q. What is the purpose of your testimony in this proceeding?

10 A. My testimony will describe Piedmont's gas purchasing policies. This
11 testimony is in response to the Commission's directive issued in Order No.
12 88-294 dated April 6, 1988 requiring ". . . annual public hearings . . . to
13 review the Company's . . . gas purchasing policies" and in response to the
14 Commission's Order establishing pre-filing deadlines in this docket.

15 Q. Will other witnesses offer testimony on Piedmont's behalf?

16 A. Yes. Ms. Ann Boggs, Director, Gas Accounting, will offer testimony to
17 assure the Commission that Piedmont's gas costs have been properly stated
18 and recorded in compliance with the Commission's regulations.

19 **IV. Period of Review**

20 Q. What is the period of review in this docket?

21 A. The review period is April 1, 2004 through March 31, 2005.

22 **V. Piedmont's Gas Purchasing Policies.**

23 Q. Please explain Piedmont's gas purchasing policies.

24 A. Piedmont has previously utilized and continues to maintain a "best cost" gas
25 purchasing policy. This policy consists of five main components -- the price
26 of the gas, the security of the gas supply, the flexibility of the gas supply, gas

1 deliverability and supplier relations. All of these components are
2 interrelated, and we will continue to weigh the relative importance of each of
3 these factors when developing an overall gas supply portfolio to meet the
4 needs of our customers.

5 Q. Please describe each of the five components.

6 A. The "price of the gas" refers to the delivered cost of gas to Piedmont's city
7 gate. In order to properly judge prices at a comparable transaction point,
8 Piedmont evaluates purchase prices at the pipeline city gate points of delivery
9 into Piedmont's distribution facilities. With the unbundling of the interstate
10 pipeline industry, substantial flexibility exists in structuring gas supply
11 arrangements. The majority of Piedmont's supply purchases take place at
12 "pooling points" into the pipeline on which Piedmont holds firm
13 transportation capacity rights. These "pooling point" supply purchases from
14 producers and marketers include the commodity cost of gas at the pooling
15 points and the fuel to be retained by the downstream pipeline transporter.
16 Commodity transportation charges are also assessed separately by pipelines.
17 Any "best cost" analysis that solely considered supply area or "pooling
18 point" cost would fail to recognize the varying cost in fuel and commodity
19 costs associated with transporting gas purchased from different supply area
20 locations to Piedmont's city gate. In the case of "bundled" city gate supply
21 purchases, Piedmont may pay the gas supplier an all-inclusive price that
22 covers the cost of gas, fuel and transportation charges. Of course, peaking
23 and storage services may add additional injection, withdrawal, and related
24 fuel charges to the city gate cost of gas. All of these cost components must
25 be taken into account in evaluating the "price of the gas."

1 “Security of gas supply” refers to the assurances that the supply of
2 gas will be available when needed. Obviously, it is important to maintain a
3 high level of supply security for Piedmont’s firm customers who have no
4 alternate fuel capability. Security of gas supply is less important for our
5 interruptible customers who have access to alternate fuels. In order to
6 reserve firm gas supplies under contract, fixed reservation fees are generally
7 required in addition to the commodity cost of gas. In addition, the
8 geographic source of supply, the nature of the supplier’s portfolio of gas
9 supplies (especially during critical conditions) and negotiated contract terms
10 must be considered when evaluating the level of supply security. Thus, the
11 security of gas supply is interrelated with the price of gas and the other
12 components of Piedmont’s “best cost” purchasing policy.

13 “Flexibility of gas supply” refers to our ability to adjust the volume
14 of a particular gas supply as operating and market conditions change from
15 time to time. For example, firm heat sensitive customers will vary their
16 consumption depending on the weather conditions in Piedmont’s service
17 area. Interruptible customers will vary their level of purchase depending on
18 the price of alternate fuels and the demand for product in their own industry.
19 Thus, Piedmont must arrange a portfolio of gas supplies and storage service
20 flexible enough to meet the daily and monthly “swings” in the market place.
21 Contractual gas supply “swing rights” are implemented through periodic
22 renominations with gas suppliers and through injections into and withdrawals
23 from storage.

24 “Gas deliverability” refers to the ability to obtain Piedmont’s gas
25 supplies at the city gate through reliable transportation and storage capacity
26 arrangements. The unbundling of the interstate pipeline industry has created

1 a complex system of multiple pipeline services and service combinations.
2 Transportation arrangements can involve supply area gathering services,
3 intrastate transportation, interstate lateral line and pooling services, multiple
4 interstate pipeline transportation and storage arrangements, and balancing
5 and peaking services. The marketplace for pipeline capacity service is static,
6 with little to no unused capacity available during period of design
7 temperature conditions. Consequently, it is important that we secure and
8 maintain transportation and storage capacity rights to ensure the deliverability
9 of our gas supplies to meet the peak day, seasonal, and annual needs of our
10 customers. Of course, pipeline capacity contracts require the payment of
11 fixed demand charges to reserve firm transportation or storage entitlements.
12 Piedmont is active in proceedings at the Federal Energy Regulatory
13 Commission (FERC) not only with respect to the level of pipeline charges
14 under these contracts, but also the tariff terms and conditions that apply to
15 these pipeline services.

16 "Supplier relations" refers to the dependability, integrity and
17 flexibility of a particular gas supplier. We contract with gas suppliers who
18 have a reputation of honoring their contractual commitments and have
19 proven themselves as reliable suppliers. Conversely, we avoid suppliers
20 which have a reputation of defaulting on contract obligations or who
21 unilaterally interpret contracts to their advantage. We prefer to deal with
22 suppliers who are constantly looking for ways to improve service and offer
23 "win-win" solutions for meeting customer needs.

24 Q. Please describe the arrangements under which Piedmont purchases gas.

25 A. Piedmont purchases gas supplies under a diverse portfolio of contractual
26 arrangements with a number of reputable gas producers and marketers. In

1 general, under Piedmont's firm gas supply contracts, Piedmont pays
2 negotiated reservation fees for the right to reserve and call on firm supply
3 service up to a maximum daily contract quantity (nominated either on a
4 monthly or daily basis), and market-based commodity prices tied to indices
5 published in industry trade publications. These firm contracts range in term
6 from one year (or less) to terms extending through October 2006. Longer
7 term contracts typically provide for periodic reservation fee renegotiations.
8 Some of these contracts are for winter only (peaking or seasonal) service and
9 some provide for 365 day (annual) service. Firm gas supplies are purchased
10 for reliability and security of service and are generally priced on a reservation
11 fee basis according to the amount of nomination flexibility built into the
12 contract (daily swing service being more expensive than monthly baseload
13 service). When existing supply contracts expire, requests for proposals are
14 sent, as needed, to suppliers meeting Piedmont's "best cost" purchasing
15 policy requirements as detailed earlier in my testimony. Firm supplies are
16 then contracted from suppliers whose proposals best fulfill Piedmont's "best
17 cost" purchasing policy.

18 Piedmont also purchases gas supplies in the spot market under
19 contract terms of one month or less. These contracts provide for little or no
20 supply security in that they are interruptible and short term in nature. As a
21 result, Piedmont relies on these contracts primarily for interruptible markets
22 during off-peak periods when spot supplies are more abundant and for
23 supplemental system balancing requirements. Because of the nature of spot
24 contracts, these supplies do not command reservation fees and are priced on a
25 commodity basis, generally by reference to industry index or negotiated
26 prices.

1 Q. How does the interrelationship of the five factors described above determine
2 the character of the supply and capacity contracts under your "best cost"
3 policy?

4 A. Under our "best cost" policy, we attempt to secure and maintain a supply
5 portfolio that is in balance with the requirements of our sales markets.
6 Because our firm sales market must have a secure and reliable gas supply, we
7 meet the needs of this market primarily with long-term firm supply and
8 transportation contracts, supplemented by storage and peaking services. The
9 temperature sensitivity of the firm market necessitates that flexibility of
10 supply and storage also be provided. As mentioned earlier, firm supply
11 contracts demand a premium payment, typically in the form of fixed
12 reservation fees. Also, firm supply contracts with flexibility of swing service
13 entitlements will command a higher price than baseload arrangements.
14 Because our interruptible market is more price sensitive and requires less
15 supply security, we supply this market with off-peak firm gas supply and
16 transportation services when the core market demand declines and through
17 the purchase of gas supplies in the spot market.

18 In short, before entering into any agreement to purchase gas or
19 pipeline capacity, we carefully consider the use for the supply and weigh the
20 five "best cost" factors (price, security, deliverability, flexibility, and supplier
21 relations). Obviously, a great deal of judgement is required when weighing
22 these factors. To help us exercise this judgement, we try to keep informed
23 about all aspects of the natural gas industry. We intervene in all major FERC
24 proceedings involving our pipeline transporters, stay in constant contact with
25 our existing and potential suppliers, monitor gas prices on a real-time basis,

1 subscribe to industry literature, follow supply and demand developments, and
2 attend industry seminars.

3 Q. Please describe the Company's interest and position on any issues before the
4 FERC that may have a significant impact on the company's operations and a
5 description of the status of each proceeding described.

6 A. The Company routinely intervenes and participates in interstate natural gas
7 pipeline proceedings before the FERC. A current summary of such
8 proceedings in which Piedmont is a party is attached hereto as
9 Exhibit __ (KPM-1)

10 Q. What is your greatest challenge in applying your "best cost" gas purchasing
11 policy?

12 A. Since most major gas supply decisions require a considerable degree of
13 planning and must be made years in advance of service, our greatest
14 challenge is dealing with future uncertainties in a dynamic national and
15 regional energy market. In a perfect world, we would be able to accurately
16 predict our future demand for gas, the future availability and pricing of gas
17 supplies and capacity, and future regulatory policies. Of course, in the real
18 world, we cannot accurately predict any of these factors. Future demand for
19 gas is affected by economic conditions, customer conservation efforts,
20 weather patterns, regulatory policies and industry restructuring in the energy
21 markets. The future availability and pricing of gas supplies will be affected
22 by overall demand, oil and gas exploration and development, pipeline
23 expansion projects, and regulatory policies and approvals.

24 Q. Please explain the recent run-up in the commodity cost of natural gas and the
25 Company's position regarding the current U.S. supply situation.

1 A. The United States has been experiencing a gradual decline in natural gas
2 production despite increases in drilling rig activity for the last few years,
3 particularly in the gulf coast region. The gulf coast is a mature production
4 basin, meaning the region has been extensively drilled by production
5 companies for several decades. Therefore, all the "low hanging fruit", or
6 easily found supply has already been or is currently being produced.
7 Although this region will continue to be an important part of the country's
8 natural gas supply portfolio, additional supplies from other areas will have to
9 supplement declining gulf coast production for supplies to remain adequate
10 and reasonably priced. Increases of supply from other sources including
11 Rocky Mountain production and LNG imports have partially offset decreases
12 in gulf coast production, but production from areas that are currently off-
13 limits to drilling such as coastal waters and the development of pipeline
14 facilities from regions like Alaska may be necessary for natural gas supplies
15 to remain sufficient and competitively priced with alternate fuel choices.

16 Q. Has the increase in oil prices affected the price of natural gas?

17 A. Yes. The majority of our interruptible industrial load has the ability to utilize
18 fuel oil as an alternative to natural gas. Because the cost of alternative fuel
19 oil has remained high, this has kept upward pressure on the cost of natural
20 gas.

21 Q. Has electric generation fueled by natural gas affected the price of natural
22 gas?

23 A. Yes. In the past several years, most of the electric peaking facilities built in
24 this country utilize natural gas. To the extent that they run, upward pressure
25 on natural gas prices will result, with an accompanying increase in price
26 volatility.

1 Q. What process does Piedmont undertake to acquire firm capacity and supply
2 to meet its growing market requirements?

3 A. Piedmont secures incremental capacity and supply to meet the growth
4 requirements of its firm customers consistent with its "best cost" policy. To
5 implement this policy, Piedmont attempts to contract for timely and cost
6 effective supply and capacity. To acquire long-term expansion project
7 capacity precisely in balance with our market growth profile is impossible
8 due to many external factors beyond our control. The lengthy process of
9 pipeline project development and marketing, environmental review,
10 regulatory lag and construction lead-time, requires that major pipeline
11 expansion projects be planned many years ahead of the target "in service"
12 date. Unexpected events during this process can cause delay and uncertainty.

13 To fill the gap between the in service dates of new expansion projects and to
14 meet the requirements of our growing market demand, Piedmont may
15 contract for temporary "bridge" services from various sources of supply and
16 capacity.

17 Q. How does Piedmont calculate its customer growth?

18 A. The customer forecast process includes an overall assessment of national and
19 regional factors (i.e., economic, demographic, etc.) within the existing and
20 new residential and commercial natural gas local distribution markets served.

21 An evaluation of the current historical and potential future trends is
22 established based upon set assumptions to predict customer counts. In
23 addition, discussions are held with employees that serve each market to better
24 understand and analyze patterns indicating potential future events. Once
25 customer growth is established, sales volumes are estimated using customary

1 linear regression methods on consumption trends by customer class, based
2 upon 30 year weather averages.

3 Q. What were the one-day design peak demand requirements used by the
4 Company for planning purposes for the review period as well as the current
5 forecasted design day demand requirements for the next four winter seasons,
6 the amount of heating degree days, dekatherms per heating degree day,
7 customer growth rates and supporting calculations used to determine the peak
8 day requirement amounts?

9 A. Please see Exhibit __ (KPM-2)

10 Q. Do the one-day peak demand requirement amounts provided above reflect
11 any demand from markets other than firm?

12 A. The one-day peak demand requirement amounts provided above include only
13 the firm market requirements.

14 Q. What were the estimated base load demand requirements of the firm market
15 for the review period, as well as the current forecasted base load demand
16 requirements for the next four years?

17 A. Please see Exhibit __ (KPM-3)

18 Q. Please describe how Piedmont determines which type of resource should be
19 acquired or developed for meeting the Company's forecasted deliverability
20 needs and describe the factors evaluated in deciding whether the Company
21 should acquire pipeline transportation capacity, acquire a storage service, or
22 develop additional on-system storage deliverability.

23 A. In assessing the type of resource needed to meet Piedmont's deliverability
24 needs, the Company attempts to minimize the per unit delivered gas cost.
25 This analysis incorporates the commodity cost of gas and any transportation,
26 storage costs and supplier reservation fees required to deliver gas to

1 Piedmont's city gate, as well as the reliability and timing of new services.
2 This generally results, to the extent possible, in a correlation of the duration
3 of incremental demand with the days of service of the acquired resource, i.e.
4 acquiring peaking services to meet projected peak day demand, storage to
5 meet projected seasonal demand, and year round pipeline capacity to meet
6 projected baseload demand. Piedmont also considers the possibility of
7 changes in demand due to exogenous factors, such as changes in residential
8 market demand (new housing starts) and changes in industrial market
9 demand (energy prices and worldwide economic conditions).

10 Q. How does the Company determine the amount of incremental pipeline
11 capacity that should be acquired for a whole year, the full winter season and
12 less than the full winter season?

13 A. Piedmont evaluates interstate pipeline capacity offerings available at the time
14 that it is determined that additional future firm delivery service is required.
15 The company attempts to match the days of service of new incremental
16 transportation capacity to the duration of its incremental demand on the most
17 economical basis possible, with offerings evaluated on an equivalent unit
18 basis. As explained earlier, Piedmont attempts to acquire peaking services to
19 meet projected peak day demand, storage to meet projected seasonal demand,
20 and year round pipeline capacity to meet projected baseload demand and
21 provide gas supplies for replenishment of storage inventories. However,
22 service choices are generally limited to those offered during the period of
23 evaluation. Moreover, swing supply contracting can sometimes complement
24 transportation service and provide a competitive surrogate peaking service.

25 Q. Please describe the factors the Company evaluates in determining the
26 characteristics of its storage service contracts, including the amount of gas

1 that can be withdrawn and delivered on a peak day, the amount of gas that
2 can be withdrawn and delivered during the winter season and the period
3 during which the gas can be withdrawn.

4 A. Once a determination is made that a storage service is needed as described
5 earlier, Piedmont's needs with respect to deliverability to and from storage
6 are matched against available storage options as closely as possible. Storage
7 service characteristics and limitations including the amount of gas that can
8 be withdrawn and delivered on a design day, the amount of gas that can be
9 withdrawn and delivered during the winter season and the period during
10 which gas can be withdrawn are defined within the corresponding pipeline's
11 tariffs that govern each particular storage service. Piedmont also evaluates
12 other elements and limitations, such as refill ability, swing service options
13 and storage ratchets that are also governed by the tariffs for each storage
14 contract into its daily gas control operations.

15 Q. Please describe each new transportation or storage capacity that was added
16 during the review period as well as any transportation or storage opportunity
17 that the Company is contemplating entering into during the next four-year
18 period beginning with the 2005-2006 winter season.

19 A. Piedmont continually monitors interstate pipeline capacity offerings
20 in light of projected demand growth in its firm market based on the
21 prospective growth requirements in Exhibit__(KPM-2). Since last year,
22 Piedmont has committed to 45,000 dekatherms per day of year-round firm
23 transportation capacity on East Tennessee Natural Gas Pipeline. In addition
24 to being competitively priced, this capacity will help diversify supply sources
25 for the Carolinas. 25,000 dekatherms per day of firm capacity will bring gas
26 from Gulf Coast fields connected to Texas Eastern Transmission through

1 East Tennessee Natural Gas beginning in November 2005. Canadian and
2 Rocky Mountain supplies will be accessed through Chicago and will be
3 available through capacity on Midwestern Gas Pipeline commencing
4 November 2006.

5 Q. How does the Company plan to have adequate supplies available for its firm
6 market supply requirements if it experiences normal or design day weather
7 conditions?

8 A. The Company constructs load duration curves that forecast the Company's
9 firm market supply requirements for normal weather conditions, design day
10 weather conditions and design winter season conditions. The supply
11 requirements are plotted in descending order of magnitude, with existing
12 pipeline capacity and storage resources overlaid to expose any supply
13 shortfalls. The load duration curves for 2004-2005 forecasted design winter
14 season described above, as well as the actual 2004-2005 winter season load
15 duration curve is shown in Exhibit __ (KPM-4). The forecasted load duration
16 curves for the 2005-2006 winter season are shown in Exhibit __ (KPM-5).

17 Q. Does the Company plan for any reserve margin to accommodate statistical
18 anomalies, unanticipated supply or capacity interruption, force majeure,
19 emergency gas usage or colder-than-design weather?

20 A. Yes, the Company computes a five percent reserve margin and arranges for
21 supply and/or capacity to provide delivery of the reserve margin for events
22 such as those listed above. This reserve margin is reflected in
23 Exhibit __ (KPM-2).

24 Q. Please describe how the Company determines the daily contract quantity of
25 gas supplies that should be acquired through long-term contracts for the
26 whole year, the full winter season and periods less than a full winter season.

1 A. The Company prepares studies using load duration curves as mentioned
2 earlier to model its firm supply requirements for an annual period, taking into
3 consideration critical winter scenarios. Consideration is also given to
4 situations that are less than critical to assure low load supply flexibility. The
5 Company will purchase gas supplies on a year around basis to fulfill its firm
6 requirements including storage injection and to minimize supply costs
7 utilized to serve both firm and interruptible markets. Some of these contracts
8 will escalate in volume during shoulder months and the winter period
9 (November through March) as the Company's firm requirements increase
10 due to colder weather, thus sculpting year around contracts to fit seasonal
11 needs. The Company also purchases volumes for the winter period to match
12 its firm transportation capacity entitlements, which also increase during the
13 winter period. Lastly the Company may purchase short-term city gate
14 peaking supply to fulfill additional firm obligations as the company
15 experiences peak day firm demand requirements. The company reviews the
16 warmest winter load duration curves to assure its ability to fulfill its
17 contractual purchase commitments with suppliers.

18 Q. Please explain the factors that the Company evaluates in determining the
19 pricing basis for its gas supply contracts. Please discuss the various pricing
20 alternatives available, such as fixed prices, monthly market indexing and
21 daily spot market pricing and describe how supplier reservation charges and
22 discounts or premiums from market prices enter into the evaluation.

23 A. The Company has various pricing options available to it when developing its
24 gas supply portfolio. These options include fixed pricing, monthly market
25 indexing and daily spot pricing. Fixed pricing scenarios are addressed in the
26 Company's hedging plan, which has been approved by the Commission. The

1 reservation fee the Company pays for each contract in its firm supply
2 portfolio is dependent upon the pricing options chosen and the supply
3 flexibility requirements associated with each contract. Reservation fees are
4 generally lower for base load supplies (purchased at a constant volume for
5 the entire month) and higher if swing service is required. Reservation fees
6 vary depending on the type of swing service being provided. Examples of
7 factors which affect the cost of swing service are: a) the number of days of
8 swing required; b) the volume of swing allowed; c) commodity pricing at
9 first of the month indices versus daily spot pricing; d) first of the month keep
10 whole pricing; e) intraday versus interday swing capabilities; and f) location
11 of the supply being purchased. The Company considers its anticipated load
12 factor and swing requirements under various weather scenarios, measuring
13 the exposure to price fluctuations of the spot market and the factors listed
14 above and makes a "best cost" purchasing decision.

15 Q. Please explain the provisions in the Company's gas supply contracts that
16 allow or help facilitate future renegotiation efforts if future market conditions
17 offer new opportunities and describe any contractual restraints that prevented
18 the Company from obtaining full benefit of favorable spot market conditions
19 during the review period.

20 A. All of the Company's supply contracts have market-based commodity prices
21 tied to indices published in industry trade publications. These commodity
22 pricing provisions allow the Company to obtain the full benefit of market
23 priced gas. Supply contracts with terms in excess of two years would
24 typically contain provisions for the periodic renegotiation of the monthly
25 reservation fees for the right to nominate firm gas supplies.

26 Q. What process does the Company employ in selecting its firm gas suppliers.

1 A. The Company identifies the volume and type of supply that it needs to fulfill
2 its market requirements and solicits requests for proposals (RFP's) from a list
3 of suppliers that the gas supply department continuously updates as potential
4 suppliers enter and leave the market place. As mentioned earlier, type of
5 supply is classified as baseload or swing and firm or interruptible. Requests
6 for proposals for swing supply may be further categorized into pricing based
7 on first of the month indices, keep whole, or daily market indices. Swing
8 supplies priced at first of the month indices command the highest reservation
9 fees because suppliers incur all the risk associated with market volatility
10 during the delivery period. Keep whole contracts require the Company to
11 reimburse suppliers for the difference between first of the month index prices
12 and lower daily market prices if the Company doesn't take its full contractual
13 volume. Because the Company assumes the volatility risk associated with
14 falling prices, a lower reservation fee is warranted. Lower reservation fees
15 are also associated with swing contracts based upon daily market conditions
16 because both buyer and seller assume the risk of daily market volatility.
17 After forecasting the load factor of each individual contract and evaluating
18 the cost of reservation fees associated with each type of supply and its
19 corresponding bid, the Company makes a "best cost" decision on which type
20 of supply and supplier to fulfill its needs.

21 Q. Please summarize any supply arrangements entered into by the Company
22 during the review period.

23 A. During the review period the Company added 460,282 dts of new seasonal or
24 year around supply utilizing its normal RFP process described earlier.

1 Q. Please describe the process that Piedmont utilized and the market intelligence
2 evaluated during the review period to determine the prices charged for off-
3 system sales.

4 A. The process and information used by Piedmont in pricing off-system sales
5 depends upon the term of the sale, the type of sale and prevailing market
6 conditions at the time of the sale. For long-term delivered sales (longer than
7 one month), Piedmont solicits bids from potential buyers and awards
8 volumes based on the bids received. For short-term transactions (daily or
9 monthly) Piedmont will monitor prices and volumes on Intercontinental
10 Exchange (Intercontinental Exchange or "ICE" is an electronic trading
11 platform where potential buyers post bids and potential sellers post offers at
12 various physical locations), talk to various market participants on the
13 telephone and for less liquid trading points, estimate prices based on price
14 relationships with more liquid points. The Company will also evaluate the
15 amount of supply available for sale and weigh that against current market
16 conditions in formulating its sales strategy (i.e., if Piedmont has a large
17 amount of supply to sell on a particular day and determines that market
18 demand is low, the Company will be more aggressive in its sales strategy.
19 The Company incorporates all these factors and then initiates sales via "ICE"
20 or over the telephone.

21 Q. Did Piedmont make any changes in its gas purchasing policies or practices
22 during the period of review?

23 A. Piedmont did not implement any changes in its "best cost" gas purchasing
24 policies or practices during the test period.

25 Q. Did Piedmont's Hedging Plan work properly during the review period?

1 A. Yes. The Hedging Plan accomplished its goal of providing an additional tool
2 to reduce gas cost volatility to customers in South Carolina that purchase gas
3 from Piedmont.

4 Q. What were the net economic results of the Hedging Plan during the review
5 period?

6 A. Piedmont's South Carolina customers incurred a net economic cost of
7 \$598,053 as a result of Piedmont's experimental hedging plan during the
8 review period. This net economic impact includes expenses incurred in
9 administering the program including commissions, software, subscriptions
10 and data feed.

11 Q. Does Piedmont propose any changes to its Hedging Plan?

12 A. Although it occurred after the current review period, Piedmont asked for and
13 received interim approval from the Commission for limited modifications to
14 Piedmont's approved Experimental Natural Gas Hedging Program in order to
15 increase the Company's ability to utilize fixed-price instruments and
16 complimentary options transactions in making both time-driven and price-
17 driven hedges under Piedmont's Plan. These limited changes should increase
18 the Company's ability to reduce price volatility for its South and North
19 Carolina customers.

20 Q. Please describe how compliance with the Hedging Plan is monitored.

21 A. Currently, the Gas Accounting, Finance, and Corporate Compliance areas
22 perform ongoing activities to monitor compliance with the Plan. In addition,
23 on a bi-monthly basis the Energy Risk Management Committee (ERMC)
24 monitors compliance to the Plan. Periodic internal audits have and will be
25 performed to ensure controls continue to be adequate and function as
26 management intends.

1 Q. Have there been any deviations from the Hedging Plan during the review
2 period?

3 A. There were no deviations from the plan during the review period.

4 Q. Did the Company take any other actions to reduce price volatility for its
5 customers?

6 A. The Company utilized storage as a physical hedge to stabilize cost. The
7 Company's Equal Payment Plan and use of the PGA benchmark price and
8 deferred cost accounting allowed for a smoothing effect on gas price
9 volatility.

10 Q. What are some of the other steps Piedmont has taken to manage its gas costs
11 consistent with its "best cost" policy during the review period?

12 A. During the past year, Piedmont has taken the following additional steps to
13 manage its gas costs, consistent with its "best cost" policy:

14 (1) As previously discussed, Piedmont has actively participated in
15 proceedings before the FERC and other regulatory agencies that could
16 reasonably be expected to affect Piedmont's rates and services;

17 (2) Piedmont has actively renegotiated and restructured eligible supply and
18 capacity contracts in order to take advantage of market opportunities;

19 (3) Piedmont has utilized the flexibility available within its supply and
20 capacity contracts to purchase and dispatch gas, release capacity and
21 secondary marketing sales, in the most cost effective manner, resulting in
22 South Carolina capacity release and secondary market sales credits of
23 \$2,129,862 during the test period;

24 (4) Piedmont has actively promoted more efficient peak day use of natural
25 gas and load growth from "year-around" markets, in order to improve the
26 Company's load factor and reduce average unit costs; and

1 (5) Piedmont has reviewed its gas supply activities with its Energy Risk
2 Management Committee, comprised of senior management and employees
3 from other functional areas within the Company, in order for the gas supply
4 department to receive input and direction on its performance and planning
5 activities.

6 Q. Please summarize your testimony.

7 A. Piedmont's "best cost" purchasing policy provides the Company with a
8 secure, reasonably priced supply of gas to meet the requirements of its
9 customers. This policy and the Company's practice under this policy have
10 been reviewed and found prudent on all occasions in South Carolina and the
11 other state jurisdictions in which we operate. Although we believe our
12 policies and procedures are reasonable, we are cognizant of the fact that the
13 natural gas industry is rapidly changing, and we are constantly monitoring
14 our policies and procedures to keep up with, and even anticipate, these
15 changing conditions. We have and will continue to meet with the
16 Commission Staff to review current regulations and tariffs and explore
17 possible changes that will better serve natural gas consumers in the future.
18 We are satisfied that our existing policies and procedures are prudent and that
19 they have produced and will continue to produce adequate amounts of
20 reasonably priced gas for our customers.

21 Q. Does this conclude your testimony?

22 A. Yes.

23

EXHIBIT __ (KPM-1)

MEMORANDUM

Moore&VanAllen

June 2, 2005

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To: Ken Valentine
Rich Flebbe
Pia Hartman

c: Frank Yoho
Kim Cocklin
Jim Jeffries

From: Sonya Lowe, Consulting Paralegal

Re: FERC Status Report

This is an update on pending FERC matters as of June 1, 2005. New material is in bold. The FERC/State Regulatory Planner for June, July and August will be sent via facsimile.

I. COURT PROCEEDINGS

A. KeySpan, et al. v. FERC (04-1042): On February 2, 2004, KeySpan, Transco Municipal Group and the Municipal Gas Authority of GA filed a petition for review of orders in Transco docket TM99-6-29. Transco filed an intervention on February 27. Piedmont filed an intervention and corporate disclosure statement on March 2, 2004. On March 3 and 5, Northeast Energy Associates and the City of Richmond filed separate interventions. On March 5, the petitioners submitted their docketing statement, statement of issues, certificate of counsel, and statement concerning deferred appendix. On March 26, 2004, an order was issued allowing Piedmont's intervention and directing intervenors supporting KeySpan to notify the court of such support. On April 5, 2004, the City of Richmond notified the court of its support of petitioners and stated that it adopts the statement of issues filed by the petitioners. On April 20, 2004, PSEG Energy filed a late motion to intervene on the side of petitioners. Also on April 20, the Court issued an order directing intervenors to show cause within 30 days as to why they should not be limited to one joint brief. On April 28, 2004, the court issued an order granting PSEG's motion and statement on the side of petitioners. On June 7, 2004, the Court issued an Order discharging the order to show cause. On July 30, 2004, the Court issued a briefing schedule in this appeal setting briefing to begin October 29, 2004 with oral argument scheduled for April 7, 2005. On October 29, 2004, the Petitioners filed their brief. After initial discussions, and indications that other intervenors would not be submitting a brief, Piedmont determined not to submit an intervenor's brief in this docket. On November 18, 2004, FERC filed a *Consent Motion to Hold Proceedings in Abeyance And for Voluntary Remand of the Record to Permit Issuance of A Further Order*. On November 29, 2004, the COA filed an Order granting the consent motion filed by FERC on November 18. This case has been removed from the oral argument calendar and the briefing schedule has been suspended. The parties are directed to file status reports every 90 days from the date of this Order. On February 28, 2005, the parties filed their status report stating that FERC has not taken

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action on the remand proceeding and requested that the Court continue to hold this case in abeyance. On March 1, FERC filed its status report stating that orders on remand are still pending.

B. American Gas Association v. FERC (04-1094 Consolidated). On and around March, 2004, numerous parties filed petitions for review of the *Order on Rehearing and Clarification* and *Order on Remand* relating to Order No. 637. Due to the parties filing petitions for review on the ROFR issue and one party filing a petition for review regarding segmentation, the COA issued an Order consolidating the cases with the caption shown above. On March 30, 2004, the COA issued an Order requiring certain documents from petitioners and the respondent. This Order also deferred briefing pending further order from the Court. Piedmont filed its intervention on March 31, 2004. On April 27, the American Gas Assoc. filed a consent motion governing briefing requesting the court to establish briefing framework to brief the two issues separately. The AGA also filed a nonbinding statement of issues. On April 28, PG&E submitted its docketing statement and statement of issues. Also on April 28, petitioners, AGA, the National Assoc. of State Utility Advocates, PG&E, NY PSC, Missouri PSC, Tennessee Gas, Arizona Public Service Company and Pinnacle West Energy, and the National Assoc. of Regulatory Utility Commissioners, jointly filed a statement concerning deferred appendix and provisional certificate of counsel. On April 28, the National Assoc. of State Utility Consumer Advocates filed its docketing statement and non-binding statement of issues. On May 12, 2004, FERC filed the Certified Index to the Record. On May 14, 2004, the Northern Municipal Dist. Group and the Midwest Region Gas Task Force Assoc. filed its statement concerning position, issues, and briefing schedule. On and around May 17, 2004, the following parties filed notices of alignment with petitioner: KeySpan, Baltimore Gas, Aquila, AGA, Process Gas, American Forest and Paper Assoc., PSEG, Dominion LDCs, UGI, National Fuel, Berkshire Gas, Connecticut Natural Gas, NYSEG, Rochester Gas, and Southern Connecticut Gas. Piedmont filed its notice of alignment with the AGA on the ROFR issue and alignment with Respondent on segmentation. On June 2, 2004, the Court granted filing of Piedmont's notice of alignment. On July 1, 2004, Interstate Natural Gas and DEGT Pipelines filed for leave to respond out of time to the April 27 Consent Motion to Govern Briefing. On July 7, the COA issued an order granting a consent motion by the intervenors in support of respondent to file a response to petitioner's motion to govern briefing out of time. On September 24, 2004, the COA issued an order setting the briefing format. On October 29, 2004, the COA issued an order setting the briefing schedule in this proceeding. We participated in a joint brief in support of AGA on the ROFR issue on December 7, 2004. FERC filed its brief on February 7, 2005. We filed our brief in support of FERC on the segmentation issue on February 22, 2005. Also on February 22, Interstate Natural Gas Assoc., *et al.* filed its brief in support of FERC on the ROFR issue. On March 8, petitioners and intervenors filed their joint reply brief. On March 29, FERC submitted its brief of respondent.

C. Exxon Mobil, et al. v. FERC (04-1226 Consolidated). On July 8, 2004, Exxon Mobil, ConocoPhillips, Chevron Texaco and Shell Offshore filed a petition to review of FERC Orders: (1) *Second Order on Remand* and (2) *Order on Rehearing* regarding firm-to-the-wellhead. Transco also filed a petition for review of the same orders on July 8, 2004. On July 9, the Court issued an order consolidating the cases. Also on July 9, the Court also issued an order directing the petitioner and respondent to file certain documents. The Court also deferred briefing pending further order. Piedmont intervened on July 21, 2004. On August 6, FERC filed an unopposed

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motion for a briefing schedule requiring the respondent's brief to be filed no less than 60 days after the filing deadline for petitioner's opening brief. On August 9, the Transco Municipal Group, *et al.* a motion to intervene. Also on August 9, petitioner Transco filed its docketing statement, non-binding statement of issues, etc. Petitioner Exxon Mobil filed its docketing statement, etc. Brooklyn Union, *et al.* filed an intervention on August 9. On August 26, 2004, the COA issued an order granting motions to intervene including Piedmont. In the order, it states that briefs will be established by a future order. The COA issued an order on September 27, 2004 requesting that the parties submit a joint proposal of proposed brief formats within 30 days of this order. On October 27, 2004, the petitioners filed their *Joint Proposed Briefing Format*. On December 10, 2004, an order on the briefing format was issued. Also on December 10, the court issued an order on setting the briefing schedule. **Brooklyn Union, *et al.* filed their brief on April 29, 2005. Exxon, *et al.* filed their reply brief of petitioners on May 13, 2005.**

II. ACTIVE RATE PROCEEDINGS

A. Columbia Gas Rate Case (RP95-408). On March 17, 2005, Columbia filed a report on final true-up of settlement component revenues. On May 12, 2005, a letter order was issued accepting the report as final.

B. Transco Rate Case (RP01-245). On December 3, 2002, Judge Harfeld issued his *Initial Decision* in this proceeding. On December 10, 2002, Transco moved for an extension of time to file briefs on and opposing exceptions to the Initial Decision. Also on December 10, 2002, Judge Harfeld issued an *Order Granting Motion to Lodge* filed by KeySpan on November 26. On December 12, 2002, Judge Harfeld submitted his *Certification of Initial Decision and The Record*. On January 16, the following parties filed briefs on exceptions: The Transco Municipal Group, The City of Richmond, VA and The Municipal Gas Authority of GA; Energy Associates; Transco; PECO, Public Service Commission of NY; South Carolina Pipeline and SCANA; Atlanta Gas Light; ConEd and Philadelphia Gas Works; Indicated Shippers; KeySpan; Atlanta Gas Light, Public Service Electric, KeySpan, VA Natural Gas and Washington Gas Light; and the Commission Staff. On February 5, SC Pipeline and SCANA filed its brief opposing exceptions. The following parties filed briefs opposing exceptions on February 12: Energy Associates, KeySpan, Piedmont, *et al.*, NY Public Service Comm., Atlanta Gas Light, *et al.*, Transco, Indicated Shippers, Transco Municipal Group, *et al.*, Dominion Energy, BP Energy, POCA, Atlanta Gas Light, and ConEd, *et al.* A letter order was issued on March 6 accepting Transco's December 20, 2002 refund report as final. On March 26, 2004, the Commission issued its *Order on Initial Decision* in which it resolved various exceptions to Judge Harfeld's rulings on contested issues. Among others, the Commission (1) rejected AGL's effort to reallocate storage costs to transmission customers, (2) overturned the ALJ's decision that Transco must contingency rank for replacement shippers, (3) rejected PECO's argument that GSS service should be unbundled, (4) allowed roll-in of Mobile Bay costs, and (5) rejected Staff's proposal to allocate 15 percent of LNG costs to transportation customers. On April 8, 2004, Transco filed a motion for extension of time to comply with the directives of the Commission's March 26, 2004 *Order on Initial Decision*. On April 13, 2004, the Commission granted Transco's request for extension "until 60 days after a final Commission order that is no longer subject to rehearing." On and around April 23, 2004, the following parties filed requests for rehearing of the Commission's *Order on Initial Decision*: Indicated Shippers, Cherokee LP, BP Energy, a joint request by KeySpan, Public Service, and Washington Gas Light, SC Pipeline Corp.

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and SCANA, Transco Municipal Group and the Municipal Gas Authority of GA, POCA, NCUC, a joint request of ConEd, PGW and BP, and Transco. On May 24, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration*. On June 18, 2004, Transco filed a motion to strike additional evidence and alternative proposals presented in SC Pipeline and SCANA's rehearing request. On July 9, SCANA and SC Pipeline filed an answer to Transco's motion to strike.

III. ACTIVE CERTIFICATE PROCEEDINGS

A. Transco Spindown (CP01-368 and CP01-369). On May 18, 2001, Transco filed an application for permission and approval for Transco to abandon certain pipeline facilities located in offshore and onshore Louisiana, which are part of the Central Louisiana Gathering System, by transfer to Williams Gas Processing-Gulf Coast Company, L.P. (WGP), an affiliate of Transco. WGP concurrently filed a Petition requesting that the Commission declare the subject facilities exempt gathering pursuant to Section 1(b) of the Natural Gas Act. Piedmont intervened on June 7, 2001. On August 31, the Commission issued its *Order Authorizing Abandonment and Determining Jurisdictional Status of Facilities* wherein the Commission approved Transco's requested abandonment, in part, and declared a portion of the facilities to be gathering. The Commission states that the facilities found not to be gathering will remain transmission. On September 28, Indicated Shippers requested rehearing of the Commission's August 31 Order arguing that the transmission facilities should not be transferred to Williams. On October 1 the Producer Coalition filed a request for rehearing arguing that the Commission erred in ruling that "most" of the offshore facilities are non-jurisdictional gathering facilities. Also on October 1 Transco and Williams filed a request for rehearing and limited stay of the Commission's August 31 Order. On October 16, KeySpan, *et al.* filed a response in opposition to Transco *et al.*'s request for limited stay and rehearing. On October 29, the Commission issued an *Order Granting Rehearing for Further Consideration*. On December 19, 2001, the Commission issued its *Order on Rehearing* denying most requests for rehearing but granting Transco's request with respect to the requirement to adjust its rates to remove the cost of the abandoned facilities from its current rate case in Docket RP01-245. The Commission also clarified "that facilities upstream of the jurisdictional demarcation platform have been found to be gathering, and facilities downstream have been found to be transmission." The Commission denied the request for clarification that "all of the facilities at the jurisdictional demarcation platform are to be treated as transmission." In this Order, the Commission directs Transco to show cause as to "why it should not be required to file revised tariff sheets . . . containing replacement rates reflecting the removal of all costs associated with the abandoned facilities, 30 days prior to the effective date of the transfer of the subject facilities." The Commission also required WGP, within 15 days after acquisition of the facilities, to "file an OCSLA Reporting Form and conditions of service for each shipper served with respect to the acquired facilities . . . and continue to do so thereafter." On January 7, 2002, Williams Gas Processing filed with the court of appeals a petition for review of the Commission *Order Authorizing Abandonment and Determining Jurisdictional Status of Facilities* dated August 31, 2001 and Commission *Order on Rehearing* dated December 19, 2001. On May 6, 2004, the Commission issued an Order Requiring Transco and Williams Gas to Show Cause as to why Jupiter Energy Corporation's upstream facilities should not be classified by the Commission as jurisdictional facilities and to identify any other upstream facilities found to be gathering facilities. The Commission's initial test affirmed that Jupiter's facilities were, in fact, jurisdictional transmission facilities. On July 6, Transco and Williams

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filed an answer to the Commission's May 6 Order to Show Cause. On July 21, the Producer Coalition filed comments in response to Transco and Williams' July 6 answer. On August 3, Indicated Shippers filed for leave to file and comments to Transco's answer on order to show cause. On August 18, 2004, Transco and Williams filed an answer in opposition of comments filed by Producer Coalition and Indicated Shippers. On October 28, 2004, FERC forwarded data requests to Transco. On November 8, 2004, Transco and Williams requested an extension until November 15 to respond to the October 28 data requests. On November 15, 2004, Transco and Williams filed its responses to the October 28 data requests. **On April 19, 2005, the Commission issued an Order Addressing Jurisdictional Status of Facilities and Vacating, in Part, Abandonment Authorization. This Order found that Transco's facilities downstream of the Jupiter interconnection are subject to the Commission's jurisdiction and further vacated the abandonment authority granted Transco.**

B. Greenbrier Pipeline (CP02-396, CP02-397 & CP02-398). On November 26, 2003, a letter order was issued granting Greenbrier an extension to file its initial Implementation Plan. On December 12, 2003, Jim Williams submitted a request for rehearing of the Commission's order denying Mr. Williams' request for reconsideration of the Commission's July 28, 2003 order denying Mr. Williams' request for rehearing of the Commission's April 9, 2003 Commission order granting Greenbrier a certificate of public convenience and necessity. On December 23, 2003, Michelle Bankey filed a request for rehearing of the November 26, 2003 letter order. On January 12, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration* of the Commission's November 13 Order. On January 23, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration* of the November 26 letter order. On February 18, 2004, the Commission issued an *Order Dismissing Pleading* dated December 13, 2003 by Jim Williams requesting rehearing of the Commission's November 13 Order. On March 5, the Commission issued an *Order Denying Rehearing* of Michelle Bankey. On April 14, 2004, Greenbrier filed for a two-year extension to construct and operate certain compression facilities. Greenbrier's request was granted on April 30, 2004. On May 10, 2004, Senator Robert C. Byrd filed a letter requesting a report regarding the extension that Greenbrier was granted due to concerns from one of his constituents. On May 25, 2004, Commission Staff responded to Senator Byrd's May 10 letter by explaining the recent background of this proceeding and enclosing a copy of the April 30 letter order. On May 27, 2004, Jim Williams submitted a request for rehearing of the April 30, 2004 letter order. On May 28, 2004, Michelle Bankey filed a request for reconsideration of the April 30, 2004 letter order. On June 28, 2004, the Commission issued its *Order Granting Rehearing for Further Consideration*. On September 20, 2004, the Commission issued an *Order Denying Rehearing and Reconsideration* as requested by Jim Williams and Michelle Bankey. On October 19, 2004, Michelle Bankey filed a request for clarification of the September 20 Order. **On May 9, 2005, the Commission issued an Order Denying Clarification sought by Michelle Bankey.**

C. Dominion Northeast Storage Project (CP04-365). On June 21, 2004 Dominion filed an application requesting authorization to construct, install, own, operate, and maintain certain facilities, located in West Virginia, Pennsylvania, and New York. Dominion's Northeast Storage Project will provide 9.4 Bcf of firm natural gas storage service and 163,017 dekatherms per day of winter-season firm transportation service. Piedmont intervened on July 20, 2004. On July 22, ConEd, *et al.* filed an intervention and request for clarification and conditions. On July 27, an

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individual filed a letter with the Commission asking that Dominion's proposed pipeline be moved 500 feet due to the fact that the proposed pipeline is designated to go through current construction of a home. On July 28, Dominion filed a correction to Page 6 of its June 21 application. On July 29, KeySpan filed an intervention and comments in support of Dominion's proposal. On August 2, another landowner filed a motion to intervene and a request to extend the comment date by 90 days to allow him to locate a lawyer to evaluate and defend his interests. On August 5, 2004, Dominion submitted an updated list of affected landowners. On August 11, 2004, landowners Mr. and Mrs. Jerden filed a letter with the Commission expressing opposition to the proposed project along with a letter the landowners forwarded to DTI regarding a possible alternative to the existing right-of-way. Another landowner filed a letter objecting to the proposed project on August 16, 2004. On August 25, 2004, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed Northeast Storage Project*. On September 3, 2004, DTI submitted supplemental information with the Phase II Archaeological Testing and Evaluation. On September 20, John H. Smith filed comments concerning the proposed Wolf Run Compressor Station. On September 21, John and Grace Beinhart submitted comments concerning the proposed line going through their property. Also on September 21, the Pennsylvania Game Commission submitted a filing with the Commission stating that it would like to participate in the project. On September 22, Joseph P. Frugoli submitted comments objecting to the proposed pipeline going through his land. On September 23, Renee and Walter Werkheiser filed comments opposing the pipeline being located on their land. On September 27, Robert D. Roulo filed comments requesting that the proposed pipeline be stopped, rerouted, or to be compensated for the misery to be placed upon the Native Americans. On September 27, 2004, the NY Dept. of Environmental Conservation filed an election of cooperating agency status for the purpose of producing the Environmental Assessment. On October 12, a landowner from Pennsylvania filed a letter with the Commission requesting information on the proposed project. Also on October 12 and 13, 2004, Dominion filed supplemental information to its original application. On October 14, 2004, FERC Staff submitted a set of data requests to Dominion. The FERC Environmental Staff submitted data requests to Dominion on October 15, 2004. On October 18, FERC conducted a site visit of the proposed project. On October 19, Dominion submitted its response to the October 14 data requests. On October 28, the Pennsylvania Game Commission filed post site visit comments regarding the right-of-way across state game lands. On November 1, Dominion filed supplemental information to its application. On November 4, 2004, Dominion filed supplemental/additional information in response to an information request by the Environmental Project Manager of FERC on October 15. On November 9, 2004, John Smith filed a response to Dominion's November 4 response to Staff's data request. This letter was not originally filed and was resent for filing. Dominion filed a letter on November 10, 2004, providing Allan White a revised map which reflects that the proposed route no longer will cross Mr. White's property. On November 15, Dominion filed a supplemental response to Question 24 of the October 15 data request. On November 16, Dominion filed a response to an informal data request from the Environmental Project Manager while conducting a site visit. On November 16, Mr. John Smith filed comments regarding Dominion's November 4 response to data request 28. On November 19, 2004, the Quinlans filed a motion to accept their previously late filed intervention, protest and comments to the Notice of Intent to Prepare an Environmental Assessment. A letter was filed on November 29, 2004 by Mr. and Mrs. Jerden (landowners) in response to Dominion's November 4 response to Staff's data request. On December 3, 2005, the NY Dept. of Environmental Conservation filed a letter with the FERC regarding a problem at the proposed Quinlan compressor site. On December 9, 2005, Dominion submitted its response to

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Data Request No. 36 of Staff's November 4 request. A site visit was scheduled for December 16 but was cancelled on December 15 to be rescheduled in the near future. On December 15, 2005, Dominion submitted a supplemental response to Staff's October 15 information request. On December 23, 2004, Dominion submitted a supplemental response to the Staff's October 15 data request. Also on December 23, 2004, Staff submitted an environmental information request. On January 13, 2005, Dominion submitted its response to Staff's December 23, 2004 environmental information request. A letter was filed on January 18, 2005 by Landowner Roulos in opposition to Dominion's alleged abuse, irresponsibility and lack of general concern of the Roulos' herd of horses. The Roulos also allege that Dominion has terrorized their family for the past two years. On January 24, 2005, Landowner Terrence Jones filed a letter discussing his environmental and operational concerns in regard to the Quinlan Field. On February 1, the Quinlan family filed a letter with the Commission stating its environmental concerns and impact to the Quinlan Field. On February 1, Dominion filed a letter in response to the Roulos family's January 18 letter. On February 2, Vincent Quinlan forwarded a letter to the Commission with his concerns on the proposed project. On February 4, landowner Phyllis Marvin filed a letter with the Commission opposing the proposed project and voicing several concerns. On February 10, Dominion filed supplemental information to its application. On February 15, Dominion submitted a letter in response to the Jerden's letter dated November 22, 2004. On February 17, landowner John Smith filed a letter with the Commission regarding his concern to build a cabin on his property and the necessity of site studies, environmental reports and identification of Mr. Smith's cabin location. On February 25, Dominion filed a letter in response to Phyllis Marvin's letter filed on February 4. On March 1, the Commission Staff forwarded data requests to Dominion. Also on March 1, Dominion filed a response to Terrance Jones letter dated January 14, 2005. On March 2, Dominion filed a supplemental response question No. 2 of Staff's environmental request dated October 15, 2004. On March 7, Dominion filed its response to an informal data request from Rafael Montag. On March 11, Dominion filed its responses to the Commission Staff's March 1 data requests. On March 31, 2005, the Commission issued a *Notice of Availability of The Environmental Assessment for The Proposed Northeast Storage Project*. **On April 18, the Jerden's filed a letter with the Commission accepting and supporting Dominion's proposed pipeline route located on Freeman's Creek. On April 25, Quinlan Field filed comments on the environmental assessment requesting clarification on certain matters. On April 29, Dominion filed comments on the Environmental Assessment. On May 16, Staff forwarded data requests to Dominion. On May 17, the Quinlans filed late comments on the environmental assessment. On May 20, Dominion filed its response to the Staff's May 16 data requests. On May 26, Dominion filed supplemental information in compliance with the Commission's recommendations in the EA.**

D. Transco Spindown (CP04-385). On July 28, 2004, Transco filed an application for authorization to abandon, by sale to Crosstex, certain of Transco's natural gas pipeline facilities (South Texas Pipeline Facilities), located in South Texas, and for authorization to abandon Gulf South's related transportation services. Transco and Crosstex also request that the Commission find that the South Texas Pipeline Facilities, once abandoned and operated by Crosstex as an intrastate pipeline, will be exempt from the Commission's jurisdiction under the NGA. Transco states that the abandonment will (i) enable Transco to dispose of facilities that are no longer integral to its provision of interstate transportation service, and (ii) result in reduced costs for Transco's customers by removing the facilities from Transco's cost of service and rate base. Transco states

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that in its Stipulation and Agreement dated April 12, 2002 and approved by the Commission, Transco agreed to make a limited NGA Section 4 rate filing to remove from its rate base the costs associated with certain facilities that are spun-down or spun-off, including the South Texas Pipeline Facilities, with such change to be effective as of the effective date of the transfer of the facilities. Pursuant to that settlement, Transco agreed to refund or surcharge customers (that are not "Contesting Parties" under the settlement) for the difference between the total amount, if any, collected from the effective date of the transfer of the facilities under the then-effective rates and the total amount determined under rates established pursuant to Section 154.501(d) of the Commission's regulation, from the effective date of the limited NGA Section 4 filing until the date of payment. Transco states that the estimated reduction in its annual cost of service associated with the sale of the South Texas Pipeline Facilities is expected to be approximately \$5 million to \$6 million. Piedmont intervened on August 10, 2004. The following parties filed protests: Enbridge, Lewis Petro, Producer Coalition, Indicated Shippers, Edge Petroleum, Sunoco, and Upstream Energy, *et al.* KCS Energy filed a protest, request for technical conference, and intervention. On September 22, Crosstex filed an answer to protests. On September 28, Transco filed an answer to the protests. On October 5, 2004, Transco filed a response to the FERC Staff's informal data request. On October 20, 2005, Upstream Energy, *et al.* filed a joint response to Transco's and Crosstex's answers to protests. The FERC Staff forwarded a set of data requests to Transco on October 27, 2004. On October 28, 2004, Indicated Shippers filed for leave to answer and answer to the answers of Crosstex and Transco to protests. On October 29, 2004, AROC (Texas), Inc. filed an intervention and protest out-of-time. On November 8, 2004, Transco and Crosstex filed its responses to FERC Staff's October 27 data requests. On December 7, 2005, Sunoco filed a motion to withdraw its protest and to support the application. Also on December 7, Crosstex submitted a supplemental response to two data request from the Commission dated October 27, 2004. On December 10, 2005, Upstream Energy filed a Motion to Augment Record "to include facts rebutting those contained in the application." Also on December 10, the Producer Coalition filed comments on the November 8 responses to data requests. On December 22, 2004, KCS filed comments on Transco and Crosstex' response to Staff's October 27 data requests. On December 23, 2004, Crosstex filed an answer to KCS' comments. Transco also filed an answer to KCS' comments. On February 8, 2005, Crosstex submitted a letter to the Commission requesting expedited action on the proposed application. On February 25, Upstream Energy filed a letter in response to Crosstex' letter of February 8. Upstream reiterates in its letter its opposition this transaction and requests that the Commission disregard any facts and statements made by Crosstex concerning Upstream Energy's settlement position. On March 24, 2005, the Commission issued an *Order Denying Abandonment Authority*. This Order denied the abandonment request by Transco and the requests for technical conference and evidentiary proceeding.

E. Transco (CP05-37). On December 14, 2004, Transco filed an application for a certificate of public convenience and necessity authorizing Transco to construct and operate certain facilities at its Compressor Station No. 170, which is located in Appomattox County, VA. Transco states that the purpose of the instant application is to bring its compressor station into compliance with the 1990 Clean Air Act Amendments. Piedmont intervened on December 30, 2004. On January 19, 2005, the Commission Staff forwarded an environmental information request to Transco. The Commonwealth of Virginia filed, with the Commission, a Notice of Intent to Prepare an Environmental Assessment for the proposed project on January 19, 2005. Transco filed a list of affected landowners on January 19, 2005 stating that no notices to landowners were returned

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undeliverable. On February 8, 2005, Transco filed its responses to the Commission Staff's January 19 environmental information request. **On April 19, 2005, the Commission issued an *Order Issuing Certificate* to Transco in this proceeding. Transco filed a letter accepting the Commission's certificate on May 2, 2005.**

IV. OTHER PROCEEDINGS

A. Natural Gas Interchangeability (PL04-3). On February 28, 2005, the Natural Gas Council filed two reports captioned *White Paper on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* and *White Paper on Natural Gas Interchangeability and Non-Combustion End Use*. On March 2, 2005, the Commission issued a *Notice Seeking Comments* by April 1, 2005. On and around March 16, the following parties filed comments: Natural Gas Supply Assoc., Duke Energy, El Paso, Selected Processors, Natural Gas Assoc., Semptra Global, KeySpan, Suez Energy, Williston Basin, SC Electric and SCANA, Shell NA LNG and Shell US Gas, SC Pipeline and SCG Pipeline, Progress Energy, Calpine Corporation, National Fuel, Florida Power & Light, Southern California Gas and San Diego Gas, BHP Billiton LNG, Interstate Natural Gas Assoc., Fertilizer Institute, Wisconsin Dist. Group, Gulf South Pipeline, Producer Coalition, American Gas Assoc., Pacific Gas, Nisource, Process Gas, Appalachian Producers, Independent Petroleum Assoc., Aux Sable Liquid Products, American Public Gas Assoc., ConEd and Orange and Rockland Utilities, Devon Energy, EMS Pipeline, South Coast Air Quality, Gas Processors Assoc., Florida Utilities, Utah Division of Public Utilities and the Edison Electric Institute. **On May 16, the NGSa filed a petition for rulemaking on natural gas quality and interchangeability. A technical conference was held on May 17 in this proceeding. After the conference, the Commission issued a notice seeking further comments on the technical conference and on NGSa's petition. These comments are due by June 9, 2005. On May 20, Robert Wilson of KeySpan filed a statement on behalf of The Edison Electric Institute in order to clarify some of the remaining issues. Also on May 20, Leonard Phillips filed his prepared remarks on behalf of American Public Gas Association.**

B. Inquiry Regarding Income Tax Allowances (PL05-5). On July 20, 2004, the Court of Appeals for the DC Circuit issued an opinion finding "that the Commission had not adequately justified its policy of providing an oil pipeline limited partnership with an income tax allowance equal to the proportion of its limited partnership interests owned by corporate partners." On December 2, 2004, the Commission issued a request for comments on whether the court's ruling extends to other capital structures involving partnership and other forms of ownerships or only applies to the specific proceeding on remand and rehearing. Comments were due on December 22, 2004; however, the Association of Oil Pipe Lines, *et al.* filed for an extension of time to file comments. On December 9, 2004, the Commission issued a notice extending time to file comments for all parties to January 21, 2005. Numerous parties filed comments in response to the Commission's request on January 21, 2005. On February 4, 2005, Guardian Pipeline filed a motion to accept late-filed comments and comments. **On April 22, Jim McCrery, house representative for Louisiana, filed a letter applauding the Commission for seeking input on these issues. On May 4, 2005, the Commission issued a Policy Statement enunciating its determination to return to its pre-Lakehead policy and to allow any entity, whether corporation, partnership or limited liability company to recover income taxes for imputed pass-through income to the extent such entity has an actual or potential tax liability associated with such income.**

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C. Standards of Business Practices of Interstate Natural Gas Pipelines (RM96-1). On December 21, 2004, the Commission issued a *Notice of Proposed Rulemaking and Termination Order* requesting comments by February 18, 2005. The Commission is proposing to adopt the most recent version of standards of the NAESB. On February 18, 2005, Florida Power & Light filed its initial comments in support of establishing guidelines for natural gas quality requirements. **On April 12, 2005, the NAESB filed an errata to Version 1.7 WGQ previously filed on April 13, 2004. On April 22, 2005, the NAESB filed a response to paragraph 10 of the Commission's December 21, 2004 Notice. On May 4, NAESB filed a letter reporting that the membership of NAESB WGQ unanimously supports the NAESB's modified standard to paragraph 10. On May 9, 2005, the Commission issued its Final Rule amending its regulations in this proceeding.**

D. Standards of Conduct for Transmission Providers (RM01-10). On November 25, 2003, the Commission issued its Final Rule, Order No. 2004, wherein it adopted standards of conduct in Part 161 of the Commission's regulations. On December 29, 2003, the following parties submitted requests for rehearing and/or clarification of the Commission's Order No. 2004: National Assoc. of State Utility Consumer Advocates, POCA, El Paso Corp., NY State PSC, Calpine Corp., EnCana Gas Storage, Merrill Lynch and Morgan Stanley, Endbridge Offshore, *et al.*, Williston Basin, Southern Company Services, and BP America and BP Energy. On January 16, 2004, the Commission issued *Guidance on Informational Filings and Implementation Procedures for Standards of Conduct under Order No. 2004*. On January 20, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration* of Order No. 2004. On January 27, 2004, the Commission issued *Additional Guidance on Electronic Submission of Informational Filings and Requests under Order No. 2004*. On February 20, 2004, the Natural Gas Supply Assoc. filed comments in support of the Commission's Order No. 2004. Also, American Public Gas Assoc., Bruce Morain and Carlos Baron Griffin filed comments in support. On February 27 through March 22, the following parties filed comments expressing concern of Order No. 2004: C & E Operations, Plymouth Resources, Morris Richardson, Jack L. Forrester, Comanche Exploration Co., Robert T. Wilson and AGS Oil & Gas, and C & L Oil & Gas Corp. On March 22, Edison Electric filed a motion for extension of time to comply with Order No. 2004 until September 1, 2004. On and around March 24, the following filed motions, answers and comments in support of Edison Electric's request for extension: Arizona Public Service Co., Baltimore Gas, *et al.*, ONEOK, and Aquila. On March 30, The Williams Companies filed a motion for clarification regarding the role of senior officers and directors. On April 2, Cinergy filed a motion in support of The Williams Companies' motion for clarification. On April 5, Florida Power & Light filed a motion for clarification. On April 6, Kansas City Power filed a motion in support of The Williams Companies' motion for clarification. Edison Electric filed comments on The Williams Companies' motion for clarification. On April 8, Portland General Electric filed comments of The Williams Companies' motion for clarification. Duquesne Light filed an answer and comments in support of The Williams Companies' motion for clarification. Duquesne filed a motion for leave to answer out-of-time and answer and comments in support of Edison Electric's request for extension of time. On April 9, Interstate Natural Gas Assoc. filed an answer to The Williams Companies' motion for clarification. El Paso filed a letter in support of The Williams Companies' motion for clarification. On April 12, Allegheny Energy filed a request for clarification regarding the role of senior officers and directors. On April 16, 2004, the Commission issued Order 2004-A Final Rule; Order on Rehearing wherein it granted rehearing, in

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part, and denied rehearing, in part. The Commission also provided clarification of its Order No. 2004. On April 19, a *Notice of Technical Conference* was issued scheduling a conference concerning the standards of conduct for transmission providers on May 10, 2004. A *Notice of Agenda for Technical Conference* was issued on May 7, 2004. On and around May 17, 2004, the following parties filed requests for rehearing and/or clarification: Westar Energy, Enbridge, BP, Interstate Natural Gas, CenterPoint Energy, El Paso, Williston Basin, Allegheny Energy, AGA, Gulf South, Nisource, National Grid, Southern Company Services, Entrega Gas, Large Public Power Council, Texas Gas, American Electric Power, Kinder Morgan, Edison Electric, Shell Offshore, Xcel Energy, Sempra Energy, Duke Energy, Entergy Services, Shell Gas, Cinergy, American Transmission, National Fuel, Enbridge and Questar. On June 14, 2004, an *Order Granting Rehearing for Further Consideration* was issued. Shell Offshore filed a petition for review with the United States Court of Appeals for the Fifth Circuit in Louisiana for FERC Order Nos. 2004 and 2004-A on June 14. That COA case number is 04-60519. On June 15, 2004, National Fuel Gas Supply and National Fuel Distribution each filed a petition for review with the D.C. Circuit Court of Appeals of FERC Order Nos. 2004 and 2004-A. That COA case number is 04-1183. On July 16, Southern Company Services filed for an extension of the compliance date for the new Standards of Conduct. On July 19, Entergy Services filed an answer in support of Southern Company Services' request. On July 21, Kinder Morgan also filed a request for extension. On July 22, Xcel Energy Services also filed an answer in support of Southern's extension request. On August 2, 2004, the Commission issued its final rule – *Order on Rehearing of Order No. 2004-A*. Commissioners Brownell and Kelliher dissented in part. On August 4, the American Public Gas Association filed a letter with the Commission praising the Commission's decision to take action against the energy companies that violated the standards of conduct. On August 11, 2004, the Wyoming PSC forwarded a letter to the Commissioners concerning Questar Gas Company's quandary of becoming an energy affiliate of Questar Pipeline and incurring additional operating costs or foregoing beneficial financial transactions in order to retain its LDC exemption. The Utah PSC filed a similar letter on August 12. On August 20, 2004, Algonquin, East Tennessee, Egan Hub, Gulfstream, Maritimes and Texas Eastern filed a request for clarification, rehearing or reconsideration of Order No. 2004-B. On August 26, Chairman Pat Wood filed a letter responding to the letters concerning Questar Gas assuring that the comments will be fully considered. On and around August 31, 2004, requests for clarification, reconsideration, rehearing, extension of time, and for limited waiver of Order No. 2004-B were filed by: AGA, Tractebel Calypso, National Fuel, Interstate Natural Gas Assoc., Entergy, NY PSC, National Grid, Edison Electric, OkTex, and Cinergy. On September 15, Interstate Natural Gas filed a petition for review of the orders issued in this proceeding. On September 20, 2004, an *Order Granting Rehearing for Further Consideration* was issued on the August 2 Order. On September 22, AES Ocean Express filed a motion for clarification and extension of time of Order 2004-B. On October 4, 2004, Calpine Corporation filed for leave to answer and answer to requests for clarification and rehearing filed by Edison Electric and Entergy. Edison and Entergy filed a joint answer in response to Calpine's answer to the requests for clarification and rehearing on October 19, 2004. On December 21, 2004, the Commission issued Order No. 2004-C; *Order on Rehearing and Clarification of Order No. 2004-B*. On January 21, 2005, Algonquin, *et al.* filed a request for issuance of an errata or clarification, or alternatively, rehearing of the Commission's December 21, 2004 Order. On February 22, 2005, the Commission issued an *Order Granting Rehearing for Further Consideration*. On March 23, 2005, the Commission issued an order granting rehearing and clarification. On April 5, 2005, the Commission issued a *Notice of Technical Conference and Workshop* for May 6, 2005. **On April 13,**

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ONEOK filed comments and request for guidance. On April 26, the Commission issued a *Supplemental Notice of Technical Conference and Workshop* simply changing the previously set time schedule.

E. Transco Firm-to-the-Wellhead (RP92-137). On July 30, 2003, the Commission issued its *Order on Remand* reaffirming its prior holding. On August 29, Transco and Indicated Shippers separately requested rehearing of the *Order on Remand*. Piedmont filed a motion for clarification or, in the alternative, rehearing regarding firm service rights on September 2. On September 29, 2003, the Commission issued an *Order Granting Rehearing for Further Consideration*. On May 10, 2004, the Commission issued its *Order on Rehearing* wherein it denied requests for rehearing by Transco and Indicated Shippers and upheld the existing IT feeder system structure. This order is on appeal to the D.C. Circuit as described above.

F. Texas Eastern Negotiated Rate Filing (RP99-480). On October 4 and 8, 2004, Texas Eastern filed negotiated rate agreements for firm transportation service. There was an ROFR agreement filed with Piedmont; however, on November 3, 2004 a letter order was issued stating that Texas Eastern's tariff sheets are not consistent with negotiating an ROFR agreement. In its letter order, the Commission directed Texas Eastern to eliminate the ROFR agreement or to file revised tariff sheets to allow such negotiation. On November 18, 2004, Texas Eastern submitted its filing in compliance with the Commission's November 3 letter order. On November 30, the Dominion LDCs filed a protest to Texas Eastern's compliance filing. Also on November 30, ConEd, *et al.*, filed a protest to Texas Eastern's compliance filing. On December 1, 2004, Piedmont filed comments indicating support for Texas Eastern's compliance filing. On December 3, 2004, Texas Eastern filed a revised compliance filing to comply with the Commission's November 3 letter order. On December 15, 2004, the Dominion LDCs filed a protest to Texas Eastern's December 3 compliance filing. On December 17, 2004, the Dominion LDCs filed a notice withdrawing its protest to the December 3 compliance filing. On January 12, 2005, Texas Eastern filed a supplemental compliance filing proposing to permit Texas Eastern to enter into, on a not unduly discriminatory basis, a firm service agreement subject to a negotiated or discounted rate and it qualify as a ROFR Agreement. On January 21, 2005, Texas Eastern filed a negotiated rate filing and the City of Hamilton filed a motion to withdraw complaint. Both of these filings are contingent upon each other. The parties request that the Commission act on the filings simultaneously and approve both filings. A letter order was issued on February 18, 2005 accepting Texas Eastern's negotiated rate agreement subject to condition and granting Hamilton's motion to withdraw. On March 7, Texas Eastern submitted its filing in compliance with the Commission's February 18 letter order. **A letter order was issued on April 13, 2005 accepting Texas Eastern's January 12 filing as final and rejecting previously filed tariff sheets as moot.**

G. Dominion (RP03-623). On September 29, 2003, Dominion submitted a filing to update DTI's effective Transportation Cost Rate Adjustment through the mechanism described in Section 15 of the General Terms and Conditions of DTI's tariff. Piedmont intervened on October 13, 2003. On October 27, 2003, DTI filed an answer in opposition to the intervention and protest of Michael Wilhelm. A letter order was issued on October 31, 2003 accepting DTI's tariff sheets and directing DTI to file revised tariff sheets consistent with the proposals in its October 27 answer. On November 5, 2003, DTI submitted its compliance filing to the October 31 letter order. On November 28, 2003, Michael J. Wilhelm, residential customer of Dominion Hope, requested rehearing of the

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Commission's October 31 letter order. On December 9, 2003, a letter order was issued accepting as final DTI's November 5 compliance filing. On December 29, 2003, the Commission issued its *Order Granting Rehearing for Further Consideration*.

H. Georgia PSC (RP04-92). On November 19, 2003, Georgia Public Service Commission (GPSC) tendered for filing a petition for a Declaratory Order requesting that the Commission declare:

Whether the FERC would preempt the Georgia Commission if the Georgia Commission adopted a plan that provided for the permanent assignment of the interstate capacity assets currently held by Atlanta Gas Light Company to certificated natural gas marketers and placed conditions upon that assignment of the interstate capacity assets.

Piedmont intervened on December 23, 2003. Other parties filing interventions/comments were: SCANA, Atlanta Gas Light, Georgia Public Service Commission. On April 15, 2004, the Commission issued a declaratory order indicating that it would preempt an attempted assignment of interstate transportation capacity outside its capacity release regulations. On May 4, 2004, the Georgia PSC filed a letter with the Commission expressing differences between the natural gas market in Georgia and other states as it relates to releasing shippers and unutilized capacity. On May 17, 2004, SCANA filed a request for rehearing or clarification of the Commission's April 15 Order. Also on May 17, Atlanta Gas Light filed tariff sheets regarding release of interstate transportation capacity. On June 1, 2004, the GA PSC filed an answer to SCANA's request for rehearing or clarification. Atlanta Gas Light also filed an answer to SCANA's request on June 1. On June 4, 2004, SCANA filed a protest and comments in response to the AGL's May 17 tariff filing. On June 16, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration*. On June 21, 2004, Atlanta Gas Light filed comments to SCANA's protest of June 4. On June 25, 2004, the GA PSC filed comments in response to the protest and comments of SCANA. On July 6, Atlanta Gas filed a motion to supplement its comments and comments on SCANA's June 21 protest. On January 24, 2005, the Commission issued an Order denying in part and granting in part SCANA's request for rehearing. The Order also modified Atlanta's compliance filing dated May 17, 2004. On February 22, 2005, Atlanta Gas Light filed a Statement of Operating Conditions as required in the Commission's January 24 Order. Also on February 22, Atlanta Gas Light filed a request for rehearing, or in the alternative clarification of the Commission's January 24 Order. On March 16, SCANA filed a protest to Atlanta Gas Light's February 22 compliance filing. On March 24, Atlanta Gas Light filed comments in response to SCANA's protest. On March 24, the Commission issued an *Order Granting Rehearing for Further Consideration*. **On May 6, 2005, the Commission issued an order denying AGL's request for rehearing and granting clarification, in part. The Order also accepts AGL's February 22 Statement of Operating Conditions subject to condition.**

I. Tennessee v. Columbia Gulf (RP04-215). On March 12, 2004, Tennessee filed a Complaint and Request for Processing under Fast Track Procedures against Columbia Gulf. Tennessee alleged that Columbia Gulf exercised its control over the Western Shore line of the Blue Water Project (BWP) and denied Tennessee a new interconnection to the BWP at Egan, Louisiana, in violation of the Commission's interconnect policy, open access principles, and the NGA.

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Tennessee requested the Commission to order Columbia Gulf to immediately allow the installation of the new Egan interconnection and to fashion such other and further relief as the Commission finds necessary and proper to remedy Columbia Gulf's unlawfully anti-competitive conduct and practices. Nashville Gas intervened on March 24, 2004. On April 5, 2004, ExxonMobil filed to intervene and protest the Complaint. Also on April 5, Columbia Gulf filed its answer requesting that the Complaint be dismissed. On April 16, the FERC Staff forwarded data request to Tennessee and to Columbia Gulf. On April 26, Tennessee and Columbia Gulf both submitted their responses to the data request. On May 3, Tennessee submitted a motion for leave to answer and answer to the answer of Columbia Gulf and the protest of ExxonMobil. On May 6, 2004, the Commission issued an *Order Establishing Hearing Procedures* for resolution of this matter and indicated that this proceeding will be held in abeyance to provide for settlement. On May 11, 2004, the Chief ALJ issued an *Order of Chief Judge Designating Settlement Judge and Scheduling Settlement Conference*. Judge Bruce L. Birchman has been appointed settlement judge in this proceeding and a settlement conference is scheduled for May 25 and 26, 2004. On June 21, 2004, the Settlement Judge issued his status report suggesting that settlement discussions continue. On June 28, 2004, the Chief ALJ issued an order continuing the settlement judge procedures until July 21, 2004. On July 6, 2004 an *Order of Chief Judge Terminating Settlement Judge Procedures, Designating Presiding Administrative Law Judge, and Establishing Track II Procedures* was issued. On July 12, Tennessee filed a motion for reconsideration concerning the portion of the July 6 Order establishing Track II Procedures. On July 19, Tennessee, Columbia Gulf and the Commission Staff filed a *Joint Motion for Adoption of Procedural Time Standard*. On July 19, an *Order of Chief Judge Shortening Track II Procedural Schedule* was issued. These dates are reflected on the attached regulatory calendar. On July 29, Columbia Gulf forwarded its first set of data requests to Tennessee. On August 5, 2004, Columbia Gulf filed a motion requesting adoption of model protective order and on August 5, 2004, an *Order Issuing Protective Order* was adopted by the presiding ALJ. On August 6, Tennessee filed its direct testimony of Joe Dickerson. On September 2, 2004, Columbia Gulf filed its second set of data requests to Tennessee. On September 3, BP Energy filed a notice to withdraw its intervention. On September 9, Columbia Gulf filed its first set of data requests to Enterprise Gas and ExxonMobil. On September 10, Columbia Gulf filed a motion for partial summary disposition and request for issuance of partial initial decision. On September 15, National Fuel filed a notice to withdraw its intervention. On September 24, Columbia submitted the direct and answering testimony of James W. Hart. On September 27, Tennessee filed an answer in opposition of the motion for partial summary disposition. The Commission Trial Staff also filed an answer opposing the motion for partial summary disposition and request for issuance of partial initial decision. On October 8, 2004, the Commission issued an *Order Denying Motion for Partial Summary Disposition and Request for Issuance of Partial Initial Decision*. On October 22, 2004, FERC Staff filed direct and answering testimony of Staff witnesses Pewterbaugh, *etc.* and McComb. Also on October 22, Columbia Gulf forwarded its third set of data requests to Tennessee. On November 4, 2004, Columbia Gulf forwarded its fourth set of data requests to Tennessee. On November 12, Columbia Gulf submitted its cross-answering testimony. Tennessee submitted its prepared rebuttal testimony on November 15. On November 15, Tennessee filed a motion to file rebuttal testimony one day out-of-time. Tennessee filed the rebuttal testimony of Larry Smith on November 16. Also on November 16, Columbia Gulf submitted its fifth set of data requests to Tennessee. On November 19, Columbia Gulf submitted its sixth set of data requests to Tennessee. On November 22, 2004, the Commission issued an order granting Tennessee's motion to file rebuttal testimony one day out-of-time. On November 23, 2004, the active parties

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filed the Joint Statement of Contested Issues in this proceeding. On December 3, 2004, Columbia Gulf filed a motion: (1) to compel Tennessee to respond completely and fully to certain data requests, (2) for a continuance, or alternatively, (3) to strike testimony. Also on December 3, 2004, Tennessee filed: (1) a motion to preclude testimony and evidence concerning alternatives to the Egan Interconnect, and (2) a pre-hearing brief. On December 20, 2004, the parties filed a joint motion for a one-week extension of post-hearing briefing schedule and initial decision due date. Also on December 20, 2004, an *Order of Chief Judge Granting A One-Week Extension of Briefing Schedule and Initial Decision Due Date*. On January 14, 2005, Tennessee, Columbia and the Commission Trial Staff filed their initial briefs. On January 28, 2005, Tennessee, Columbia and the Commission Trial Staff filed reply briefs. On February 23, 2005, Tennessee, Columbia Gulf and the Commission Staff filed a joint motion for leave to file proposed transcript corrections out-of-time. The Presiding ALJ issued an *Order Denying Joint Motion for Leave to File Proposed Transcript Corrections Out-of-Time* on February 25, 2005. On March 1, 2005, the Presiding ALJ issued his *Initial Decision* in this proceeding in which he found in favor of Tennessee and directed Columbia to allow Tennessee to interconnect with the BWP at Egan, Louisiana. On March 31, 2005, Tennessee, Columbia Gulf and the Commission Trial Staff filed their briefs on exceptions. **On April 20, 2005, Tennessee, Columbia Gulf and the Commission Trial Staff filed briefs opposing exceptions.**

J. City of Hamilton, Ohio v. Texas Eastern (RP04-254). On April 7, 2004, the City of Hamilton, Ohio filed a complaint against Texas Eastern. Hamilton alleged that Texas Eastern is violating Commission policy on market center development by employing a rate design and applying its tariff provisions in a way that severely impedes the natural formation of market centers and inhibits the flexible commercial interchange of natural gas. Hamilton alleged further that Texas Eastern's rate structure requires customers to pay for more transportation than they need because it is based on overly-expansive zones. Hamilton also alleges that Texas Eastern's rates violate the Commission's regulations by contraining shippers' rights to segmentation due to application of multiple fuel use charges, and violate the Commission's policies regarding backhauls. Piedmont intervened on April 12, 2004. On April 20, the New England LDCs filed an intervention and comments concerning costs that might be shifted to other customers on Texas Eastern's system. On April 29, 2004, Texas Eastern filed its answer and motion to dismiss. The Municipal Defense Group also filed an intervention and comments on April 29. On May 14, 2004, the City of Hamilton filed its answer to Texas Eastern's motion to dismiss. On August 5, 2004, the City of Hamilton filed a motion for expedited appointment of a settlement judge. On August 20, 2004, Texas Eastern filed an objection to the City of Hamilton's motion for expedited appointment of a settlement judge. On September 3, the City of Hamilton filed an answer to Texas Eastern's objection to appointment of a settlement judge. On October 25, 2004, Texas Eastern and the City of Hamilton filed a joint expedited motion to postpone Commission action on Agenda Item G-1. On November 16, 2004, Texas Eastern and the City of Hamilton filed an expedited joint motion and status report to postpone Commission action of Agenda Item G-15. On January 21, 2005, Texas Eastern filed a negotiated rate filing and the City of Hamilton filed a motion to withdraw complaint. Both of these filings are contingent upon each other. The parties request that the Commission act on the filings simultaneously and approve both filings. A letter order was issued on February 18, 2005 accepting Texas Eastern's negotiated rate agreement subject to condition and granting Hamilton's motion to withdraw. On March 7, Texas Eastern submitted its filing in compliance with the Commission's

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February 18 letter order. **On April 12, a letter order was issued accepting Texas Eastern's March 7 compliance filing as final.**

K. Columbia Gas Re-Contracting Issues (RP04-255). On April 8, 2004, Columbia Gas submitted a filing which stated that an integral component of its efforts to prepare for 2004 re-contracting issues, it undertook a comprehensive review of the *pro forma* service agreements in its Tariff, and this review led Columbia to propose several Tariff revisions. Columbia stated that the tariff revisions are intended to (1) correct/delete certain minor inconsistencies in Columbia's *pro forma* service agreements, and (2) to ensure that Columbia, when it agrees with its shippers in future service agreements on minimum pressures and/or hourly flow rates, can also agree with its shippers on conditions to those minimum pressures/hourly flow rates necessary to ensure the integrity of Columbia's pipeline system. Piedmont intervened on April 19, 2004. Baltimore Gas filed a motion to intervene and statement of support and Virginia Natural Gas filed an intervention and comments requesting clarification and certain revisions to Columbia's filing. On April 27, UGI Utilities filed a late intervention and comments in support. On April 27, Columbia filed for leave to answer and answer to comments and request for clarification. On May 4, 2004, Virginia Natural Gas filed a motion for leave to answer and answer to Columbia's April 27 answer. On May 6, 2004, Columbia Gas filed a motion for leave to answer and answer to motion of Virginia Natural Gas. A letter order was issued on May 7, 2004 accepting Columbia's filing subject to Columbia filing revised tariff language. On May 24, 2004, Columbia submitted its filing in compliance with the May 7 Order. On and around June 4, 2004, the following parties filed late interventions, request for clarification and/or rehearing of the Commission's May 7 Order: National Fuel, the Cities of Charlottesville and Richmond, Virginia Natural Gas and Orange and Rockland Utilities, Virginia Power, American Gas Association, American Public Gas Association, the Dominion LDCs, and Washington Gas Light. On June 30, 2004, Columbia submitted a letter for filing reiterating several points it has previously made in this proceeding. On July 2, 2004, an *Order Granting Rehearing for Further Consideration* was issued. On July 7, the Cities of Charlottesville and Richmond filed a *Response to Improper Answer to Requests for Rehearing* – referring to Columbia's June 30 letter. On July 15, Virginia Natural Gas filed a reply to the June 30 reply of Columbia to requests for rehearing. On August 23, 2004, a letter order was issued accepting Columbia's May 24 compliance filing as final. On January 26, 2005, the Commission issued an *Order on Clarification and Rehearing* granting the requests for clarification and/or rehearing of the Commission's May 7, 2004 letter order. On February 10, 2005, Columbia Gas submitted its filing in compliance with the Commission's January 26 Order. On February 24, Columbia filed a request for clarification or, in the alternative, rehearing of the Commission's January 26 Order. Also on February 24, Columbia submitted a correction to its February 10 compliance filing. On March 28, 2005, the Commission issued an *Order Granting Rehearing for Further Consideration*. **On May 10, the Commission issued an Order on Clarification/Rehearing and Compliance Filing wherein the Commission granted clarification/rehearing and accepted Columbia's amended compliance filing submit to Columbia filing revised tariff sheets. On May 25, Columbia submitted its revised tariff sheets in compliance with Commission Order dated May 10.**

L. Transco Interconnect Facilities (RP04-267). On April 27, 2004, Transco submitted a filing to modify Transco's Policy for Construction of Interconnect Facilities set forth in Section 20 of the General Terms and Conditions of Transco's Tariff. Piedmont intervened on May 3, 2004. On May 10, 2004, Calpine Corporation filed an intervention and comments and Process Gas filed an

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intervention and protest. On May 18, 2004, Transco filed an answer to the protest of Process Gas and the comments of Calpine. On May 27, 2004, the Commission issued a letter order rejecting Transco's proposed tariff changes. On June 28, 2004, Transco filed a request for rehearing of the Commission's May 27 letter order. On July 28, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration*.

M. East Tennessee Lost-And-Unaccounted-for Gas (RP04-398). On August 4, 2004, the Commission issued an *Order on Compliance Filing and Initiating A Section 5 Proceeding under The Natural Gas Act*. This Order accepted the September 30, 2003 compliance filing in docket CP01-415. Further, the Commission is initiating a Section 5 proceeding "to ensure that East Tennessee's tariff provisions concerning lost-and-unaccounted-for gas are consistent with Commission policy." On August 6, a *Notice of Initiation of Proceeding* was issued. On September 3, 2004, East Tennessee filed a request for clarification or rehearing of the August 4 Order. On October 4, 2004, an *Order Granting Rehearing for Further Consideration* was issued.

N. Columbia Gulf v. Tennessee (RP04-413). On July 26, 2004, Columbia Gulf filed a Complaint and Request for Processing under Fast Track Procedures against Tennessee Gas. Columbia Gulf alleged that Tennessee is illegally imposing a transportation charge on Columbia Gulf's South Pass 77 shippers in violation of the Natural Gas Act, Commission orders that approved a Reciprocal Lease Agreement between Tennessee and Columbia Gulf, and in violation of the Reciprocal Lease Agreement itself. Piedmont intervened on July 28, 2004. On August 13, Tennessee filed an answer and motion to dismiss. Also on August 13, Dynegy filed for leave to intervene and comments. On August 30, Columbia Gulf filed an answer to Tennessee's motion to dismiss. On September 14, Tennessee filed a reply to the answer of Columbia Gulf. On October 12, 2004, the Commission issued an *Order on Complaint Establishing Hearing Proceedings* "in order to fully develop the record concerning the complaint." On October 15, the Chief ALJ issued an order designating Judge Silverstein to preside over this proceeding. A prehearing conference to clarify the parties' positions, to explore the possibility of settlement, and to set a trial schedule was held on October 27, 2004. Also on October 27, 2004, the ALJ issued an *Order Establishing Procedure Schedule*. On December 20, 2004, Columbia Gulf forwarded its First Set of Data Requests to Tennessee. On December 29, 2004, Columbia Gulf filed a motion requesting adoption of model protective order. On January 5, 2005, Columbia Gulf filed a motion to compel Tennessee to completely answer certain data requests in Columbia Gulf's First Set of Data Requests. On January 6, 2005, the presiding ALJ issued an *Order Scheduling Oral Argument* for January 12, 2005 on Columbia Gulf's Motion to Compel. On January 10, 2005, Tennessee filed an answer in opposition to Columbia Gulf's motion to compel. Columbia Gulf forwarded its second set of data requests to Tennessee on January 11, 2005. On January 12, 2005, Columbia Gulf served three notices of deposition. A ruling on the motion to compel was issued on January 14, 2005. Tennessee and Columbia had previously narrowed down three data requests at issue. Tennessee gave a partial answer to one request. The January 14 Order compels Tennessee to answer the remaining two requests. Also on January 14, 2005 a *Protective Order* was issued on behalf of any participant producing protected materials. On January 19, 2005, Tennessee forwarded its first set of data requests to Columbia Gulf. Columbia Gulf filed initial testimony on January 28, 2005. Tennessee filed initial testimony on January 31, 2005. Columbia Gulf filed exhibits to its initial testimony on January 31, 2005. On February 8, 2005, Tennessee forwarded its second set of data requests to Columbia Gulf. On February 18, 2005, the FERC Trial Staff forwarded its first set of

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data requests to Columbia Gulf. On February 22, 2005, Tennessee filed a motion for summary disposition. On February 25, Tennessee filed answering testimony and on February 28, Tennessee filed an errata sheet to its testimony filed on February 25. On March 7, Commission Staff forwarded its first set of data requests to Tennessee. On March 9, Columbia Gulf filed its answer to Tennessee's motion for summary disposition. Also on March 9, the Commission Trial Staff filed an answer in opposition of Tennessee's motion for summary disposition. On March 10, 2005, the presiding ALJ issued his *Ruling on Motion for Summary Disposition* stating that the requirements for summary disposition have not been met and denied Tennessee's motion. On March 24, Columbia Gulf submitted its first set of data requests to Dynegy. On March 29, Dynegy Midstream filed a notice to withdraw its intervention and comments. On April 1, Columbia Gulf submitted its third set of data requests to Tennessee. On April 7, Columbia Gulf filed an answer opposing Dynegy's notice of withdrawal and motion to compel responses to first set of data requests. **On April 8, Tennessee submitted its Third Set of Data Requests to Columbia Gulf. On April 12, Columbia Gulf issued two notices of deposition. On April 15, Columbia Gulf filed a motion to compel responses to data requests from Tennessee. On April 21, Tennessee filed its answer to Columbia Gulf's motion to compel. Also on April 21, Dynegy filed a response to Columbia Gulf's motion to compel and a request to respond to answer opposing notice of withdrawal. Columbia Gulf filed rebuttal testimony on April 22. Oral argument was held on April 26 concerning motions filed by Columbia to compel responses to data requests from Dynegy Midstream and Tennessee. On April 26, Dynegy submitted an updated response to Columbia Gulf's data requests. Notices of Deposition were issued on April 26. On April 27 the Presiding ALJ issued an *Order on Motion to Compel and Notice of Withdrawal from Proceeding*. This Order did not allow Dynegy's notice of withdrawal and Tennessee and Dynegy agreed to respond to Columbia Gulf's revised data requests. On April 29, Tennessee forwarded (1) its fourth set of data requests to Columbia Gulf, and (2) its first set of data requests to Dynegy. Also on April 29, the Presiding ALJ issued an *Order Scheduling Oral Argument Concerning Status of Protected Documents* which set oral argument for May 11. On May 6, Tennessee filed a motion to file one day out-of-time its motion to continue the protected status of certain materials sought by Columbia Gulf. On May 12, the Commission issued an *Order on Status of Protected Documents*. On May 13, Columbia Gulf, Tennessee and the Commission Staff filed their Joint Statement of Issues. Also on May 13, Columbia Gulf filed a notice of deposition of Bill Grantham. On May 16, the presiding ALJ issued an *Amendment to Protective Order*. On May 16, the parties forwarded a request to resolve the issues in the Joint Statement of Issues setting for the terms for settlement. On May 17, Tennessee and Dynegy filed a joint motion requesting appointment of a settlement judge. Also on May 17, Dynegy filed a motion for clarification, reconsideration and/or leave to file an interlocutory appeal of the Commissions' Order on Status of Protected Documents. On May 18, Columbia Gulf filed an answer to the May 17 joint request for an appointment of a settlement judge. Columbia Gulf objects to the delay of the established hearing date. On May 19, an *Order of Chief Judge Extending Track III Procedural Deadlines, Appointing Settlement Judge, and Scheduling Settlement Conference* was issued. The extended dates are reflected on the Regulatory Calendar. A settlement conference was held on May 24. Also on May 24, the Presiding ALJ determined that the Joint Witness List was "deficient" and issued an order requiring the attendance of certain witnesses from Tennessee, Dynegy and Columbia Gulf. On May 25, 2005, the Commission issued an *Order Denying Motion for Clarification, Reconsideration, And/Or Leave to File An Interlocutory Appeal*. Also on May**

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25, the settlement judge submitted his status report. On May 26, an *Order of Chief Judge Terminating Settlement Judge Procedures* was issued because the parties were unable to reach an agreement in principle. On June 1, 2005, Dynegy Midstream for interlocutory appeal of the Commission's May 25 Order.

O. Dominion ROFR Procedures (RP05-51). On October 29, 2004, Dominion filed an application requesting approval of certain modification to its FERC Gas Tariff stating that the purpose of the filing is to modify its tariff to reflect current Commission policy on shipper right-of-first-refusal procedures and other policies. Piedmont intervened on November 4, 2004. On November 10, 2004, the following parties filed interventions, protests and/or comments: National Fuel, *et al.*, Dominion East Ohio, *et al.*, Nisource, Virginia Natural Gas and Atlanta Gas Light, Shell, Washington Gas Light, Process Gas, and NJ Natural Gas. Also on November 10, Baltimore Gas filed an intervention and request for technical conference. KeySpan filed an intervention and request for clarification. The City of Richmond filed an intervention, protest and requests for summary disposition, maximum suspension and a technical conference. On November 17, 2004, Dominion East Ohio, *et al.*, filed an amended intervention and comments. On November 22, 2004, KeySpan filed and for leave to answer and answer to the protest of Shell. Also on November 22, Dominion filed for leave to respond and response to filed comments. On November 23, 2004, NY Public Service Comm. filed for leave to answer and answer to the protest of Shell. On November 30, 2004, the Commission issued its *Order Accepting and Suspending Tariff Sheets Subject to Refund and Establishing a Technical Conference*. A technical conference was held on February 1, 2005 for the purpose of discussing proposals by Dominion to update tariff provisions. On February 9, 2005, Dominion filed *pro forma* tariff sheets reflecting its current proposal as discussed at the technical conference. On and around February 22, the following parties filed comments on Dominion's *pro forma* tariff sheets: Public Service Commission of NY, ConEd, National Fuel, *et al.*, Statoil Natural Gas, NJ Natural Gas, Process Gas, Virginia Natural Gas and Atlanta Gas Light, Nisource Dist., East Ohio Gas Co., *et al.*, City of Richmond, and Dominion. On March 7, the following parties filed reply comments: City of Richmond, National Fuel, *et al.*, East Ohio Gas, Dominion, NJ Natural Gas and Major Non-Affiliated Distributors Group. **On April 14, the Commission Staff forwarded data requests to Dominion. On April 19, Dominion filed responses to the Commission Staff's April 14 data requests. On April 29, the Commission issued an *Order on Technical Conference* accepting the language in the *pro forma* tariff sheets subject to modifications and filing actual tariff sheets. Dominion submitted its filing on May 26 in compliance with the April 29 Order.**

P. Columbia Gas EPCA Filing (RP05-210). On March 1, 2005, Columbia Gas submitted a filing in accordance with Section 45, "Electric Power Cost Adjustment (EPCA)," of the General Terms and Conditions of its FERC Gas Tariff and the Commission's December 22, 2004 Order on Rehearing in Docket No. RP03-281-004. The revised tariff sheets are proposed to become effective April 1, 2005. Piedmont intervened on March 5, 2005. On March 14, Virginia Natural Gas and Elizabethtown Gas filed a intervention and comments concerning the proposal to roll-in the electric power costs. The Cities of Charlottesville and Richmond filed an intervention and protest regarding the roll-in rate treatment. The Dominion LDCs also filed an intervention and protest regarding the roll-in rate treatment. CED Rock Springs and Old Dominion Electric filed interventions and comments supporting the proposed filing. On March 23, Old Dominion Electric and Columbia Gas filed answers to the protests of the Cities and the Dominion LDCs. On March

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31, 2005, the Commission issued an order accepting and suspending tariff sheets subject to refund and establishing hearing procedures. On April 7, the Chief ALJ issued an order designating Lawrence Brenner as presiding ALJ. **A prehearing conference was scheduled on April 19, 2005. On April 20, the presiding ALJ issued an *Order Establishing Procedural Schedule*. These dates are reflected on the regulatory calendar. On May 2, Columbia filed a request for clarification or, in the alternative, rehearing of the March 31 Order. On May 23, the Cities of Richmond and Charlottesville served their first set of data requests to Columbia and to Old Dominion Electric Coop. On May 26, Old Dominion Electric Coop served its first set of data requests to Columbia. An *Order Granting Rehearing for Further Consideration* was issued on June 1, 2005.**

Q. Columbia Gas RAM Filing (RP05-211). On March 1, 2005, Columbia Gas submitted a filing pursuant to Section 35, "Retainage Adjustment Mechanism (RAM)," of the General Terms and Conditions of its FERC Gas Tariff. The revised tariff sheet is proposed to become effective April 1, 2005. Piedmont intervened on March 5, 2005.

R. Columbia Gas TCRA Filing (RP05-212). On March 1, 2005, Columbia Gas submitted its Transportation Costs Rate Adjustment filing. Columbia Gas stated that the revised sheets are being submitted pursuant to Section 36.2 of the General Terms and Conditions of its FERC Gas Tariff. The revised tariff sheets are proposed to become effective April 1, 2005. Piedmont intervened on March 5, 2005. A letter order was issued on March 28, accepting Columbia's filing as final.

S. Transco TEP Filing (RP05-215). On March 1, 2005, Transco submitted a filing to reflect net changes in the Transmission Electric Power (TEP) rates 30 days prior to each TEP Annual Period beginning April 1. Transco stated that the proposed effective date of the revised tariff sheets is April 1, 2005. Piedmont intervened on March 4, 2005. On March 29, 2005, a letter order was issued accepting Transco's filing as final.

T. Transco Fuel Retention Percentages Filing (RP05-218). On March 1, 2005, Transco submitted a filing to recalculate its fuel retention percentages applicable to transportation and storage rate schedules pursuant to Section 38 of the General Terms and Conditions of Transco's tariff. Transco stated that the proposed effective date of the revised tariff sheets is April 1, 2005. Piedmont intervened on March 4, 2005. On March 31, a letter order was issued accepting and suspending Transco's tariff sheets subject to refund and condition. **On April 8, Transco submitted its compliance filing to the March 31 letter order.**

U. Columbia Gulf TRA Filing (RP05-221). On March 1, 2005, Columbia Gulf submitted a filing pursuant to the provisions of Section 33, "Transportation Retainage Adjustment (TRA)," of the General Terms and Conditions of its FERC Gas Tariff. The revised tariff sheets are proposed to become effective April 1, 2005. Piedmont intervened on March 5, 2005. On March 14, Orange and Rockland Utilities filed an intervention and protest to the allocation methodology. Columbia Gulf filed an answer to Orange and Rockland Utilities' protest on March 22. On March 31, a letter order was issued accepting Columbia Gulf's tariff sheets subject to condition. **On April 29, Columbia Gulf submitted its compliance filing to the Commission's letter order. On May 2, Orange and Rockland Utilities filed a request for rehearing of the Commission's March 21 letter order.**

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On May 11, Orange and Rockland Utilities filed a protest to Columbia Gulf's compliance filing. On May 18, Columbia Gulf filed an answer to Orange and Rockland Utilities' protest. An Order Granting Rehearing for Further Consideration was issued on June 1, 2005.

V. Transco Portability Discounts Filing (RP05-236). On March 18, 2005, Transco submitted a filing to delete from its Tariff, Section 40.2 of the General Terms and Conditions, Portability of Discounts. Transco proposed that the revised tariff sheets become effective April 17, 2005. Piedmont intervened on March 28, 2005. **A letter order was issued on April 13, accepting Transco's filing as final.**

W. Texas Eastern CIG/Granite State Policy (RP05-240). On March 21, 2005, Texas Eastern submitted a filing to remove the tariff provisions implementing the CIG/Granite State policy. Texas Eastern proposed that these revised tariff sheets take effect April 21, 2005. Piedmont intervened on March 28, 2005. On March 30, Proliance filed an intervention, protest and request for summary rejection. **On April 14, Texas Eastern filed an answer to Proliance's protest and request summary rejection. On April 18, a letter order was issued denying Proliance's protest and accepting Texas Eastern's filing.**

X. Pine Needle Fuel Retention Percentage (RP05-257). On March 31, 2005, Pine Needle submitted a filing pursuant to Sections 18 and 19 of the General Terms and Conditions of its FERC Gas Tariff. Piedmont intervened on April 6, 2005. **A letter order was issued on April 26 accepting Pine Needle's filing as final.**

Y. Transco Fuel Retention (TM99-6-29). On March 1, 1999, Transco submitted a filing for a redetermination of its fuel retention percentages applicable to transportation and storage rate schedules. Piedmont filed an intervention and comments on March 15, 1999, asking that the Commission seek clarification of Transco's proposed adjustments prior to approving said adjustments. On October 30, 2000, the Commission issued its *Order on Rehearing* wherein it granted rehearing and will "permit Transco to make an adjustment but will require Transco to amortize the effect of the adjustment over a seven-year period of time." The Order further requires Transco to file tariff sheets within 30 days of this order reflecting its FRP rates pursuant to the remedy approved in the order and to include a calculation of appropriate refunds, including interest, billing adjustments and an explanation of its plan. On November 29, 2000, Transco submitted its compliance filing to the Commission's October 30 Order. Also on November 29, 2000, the KeySpan Delivery Companies filed a request for rehearing of the Commission's October 30 Order. On December 11, 2000, the KeySpan Delivery Companies and Atlanta Gas Light, *et al.* filed protests to Transco's November 29 compliance filing. On December 20, 2000, the Commission issued its *Order Granting Rehearing for Further Consideration*. On December 29, 2000, Transco submitted its calculation of appropriate refunds and supporting workpapers. On January 5, 2001, Philadelphia Gas Works filed comments on Transco's December 29 compliance filing stating that its concern was that Transco would be allowed to collect \$1.68 million in interest, plus the calculated interest for the collection period going forward. On January 12, 2001, Atlanta Gas, *et al.* filed a protest to Transco's December 29 compliance filing. The Commission issued an *Order Denying Rehearing* on May 30, 2001 as requested by KeySpan of the Commission's October 30, 2000 Order. On October 10, 2002, the Commission issued a letter order rejecting Transco's November 29, 2000 and December 29 compliance filings with the October 30, 2000 Order. On November 12,

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2002, TMG and the Gas Authority filed a request for rehearing of the Commission's October 10, 2002 Order. On December 9, Transco submitted a filing in compliance with the Commission's October 10 Order. On December 12, 2002, the Commission issued an *Order Granting Rehearing for Further Consideration*. On December 23, KeySpan filed a request for technical conference. Also on December 23, the TMG and the Gas Authority filed a protest to Transco's compliance filing. On January 7, 2003, Transco filed an answer to KeySpan's and TMG and the Municipal Gas Authority's requests for technical conference and urged the Commission to reject the requests for technical conference or wait until the Commission has acted on the rehearing of the October 10, 2002 Order. On October 7, 2003, the Commission issued an *Order Accepting Compliance Filing and Denying Request for Rehearing* of its October 10, 2002 Order. On November 6, 2003, KeySpan filed a request for rehearing of the Commission's October 7 order. On December 4, 2003, the Commission issued a *Notice of Denial of Rehearing by Operation of Law*. On February 20, 2004, Transco submitted its report of refunds distributed on January 21, 2004. On April 13, 2004, a letter order was issued accepting Transco's February 20 report of refunds. This proceeding is currently on appeal with the D.C. Circuit and is recorded in Section I of this Memorandum under Case No. 04-1042. On November 18, 2004, FERC filed a *Consent Motion to Hold Proceedings in Abeyance And for Voluntary Remand of the Record to Permit Issuance of A Further Order* with the COA. On November 29, 2004, the COA issued an Order granting the consent motion filed by FERC on November 18. This case has been removed from the oral argument calendar and the briefing schedule has been suspended. Further, the parties are directed to file status reports every 90 days from the date of the COA's Order. On January 18, 2005, KeySpan, *et al.* filed a motion for prompt resolution of remand proceedings. On February 2, 2005, Transco filed an answer to KeySpan's motion. Transco concurs that the remand proceeding should be promptly resolved, however, Transco opposes KeySpan, *et al.*'s proposed resolution. On April 5, 2005, KeySpan, *et al.*, filed a notice withdrawing its pleading and request for an order terminating proceedings. On April 6, Transco filed a notice withdrawing its answer and request for order terminating remand proceeding. **On June 1, 2005, the Commission issued an *Order Terminating Proceeding on Remand*.**

V. NEW FILINGS/INTERVENTIONS

A. **Dominion Settlement (RP05-267)**. On April 1, 2005, DTI filed a Stipulation and Agreement (Settlement), including pro forma tariff sheets, pursuant to 18 C.F.R. § 385.602 (2004) to reduce its rates for transportation service and the fuel retention level for its storage services and establish a five-year moratorium on further transportation and storage rate changes. DTI stated that the Settlement is designed as a limited settlement to existing Commission-approved settlements of DTI proceeding, and that the base transportation rate reduction, when combined with the storage fuel retention reductions, will result in annual rate relief reflected in the Settlement of approximately \$49 million. Piedmont intervened in support on April 12, 2005. Parties filing interventions and comments in support are as follows: Niagara Mohawk, The Berkshire Gas Company, *et al.*, Dominion, Public Service Comm. of NY, National Fuel, PSEG Energy, Statoil Natural Gas, NJ Natural Gas, and AGL and Elizabethtown Gas Company. The City of Richmond intervened and filed comments not opposing the settlement amendment and offered comments concerning the Explanatory Statement. Dominion filed reply comments in support on April 28. On May 11, 2005,

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Dominion submitted revised *pro forma* tariff sheets. On May 27, 2005, the Commission issued an *Order Approving Uncontested Settlement*.

B. Columbia Gas Hardy Transmission Project (CP05-144). On April 25, 2005, Columbia Gas filed an application requesting authorization to construct and operate certain natural gas transmission facilities to provide firm transportation service under Part 284 of the Commission's regulations for certain customers ("Hardy Transmission Project"). Piedmont intervened in support on May 23, 2005.

C. Hardy Storage (CP05-150, CP05-151 & CP05-152). On April 25, 2005, Hardy Storage Company filed an application requesting authorization for the construction and operation of a new underground natural gas storage facility located in Hampshire and Hardy Counties, West Virginia. Hardy states that Columbia Gas will operate and maintain the proposed facilities for Hardy. In Docket CP05-151-000, Hardy requests that the Commission issue a certificate of Public Convenience and Necessity pursuant to Subpart G of 18 C.F.R., Part 284 of the Commission's regulations authorizing Hardy to provide storage services on behalf of others in interstate commerce with pre-granted abandonment of those services. In Docket CP05-152-000, Hardy requests that the Commission issue a blanket certificate of Public Convenience and Necessity pursuant to Subpart F of C.F. R., Part 157 of the Commission's Regulations authorizing Hardy to construct, acquire, operate and abandon certain facilities following construction of the storage project. In Docket CP05-144-000, Columbia filed an application requesting authority, concurrent with Hardy's certificate application, to expand its system in Virginia to transport the natural gas stored as a part of the Hardy project. Hardy requests expedited action by the Commission on its application by September 15, 2005 to begin storage injections in April 2007. Piedmont intervened in support on May 23, 2005.

D. Transco Great Plains Filing (RP05-281). On April 22, 2005, Transco submitted a filing to remove the Great Plains Surcharge rates and certain tariff revisions (including references thereto) in Third Revised Volume No. 1 and Original Volume No. 2 of its FERC Gas Tariff, while retaining in Section 39 of the General Terms and Conditions the obligation to flow through any refunds Transco receives under the Great Plains related transportation contracts. Transco proposes that these changes become effective June 1, 2005. Piedmont intervened on April 29, 2005. A letter order was issued on May 18, 2005, accepting Transco's filing as final.

E. Dominion CIG/Granite State Discounting Policy (RP05-284). On April 22, 2005, Dominion submitted a filing to remove Section 36.2 of the General Terms and Conditions of its tariff, which are the tariff provisions that implemented the *CIG/Granite State* discounting policy. DTI states that the removal of Section 36.2 is consistent with the Commission's Order in *Williston Basin Interstate Pipeline Co.*, 110 FERC ¶ 61,210 (2005). DTI proposes that these changes become effective May 23, 2005. Piedmont intervened on April 29, 2005.

F. Transco Revised Rate Schedules (RP05-337). On May 10, 2005, Transco submitted a filing to revise provisions set forth in Rate Schedules LG-A and LNG. Piedmont intervened on May 13, 2005.

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G. Transco ROFR (RP05-338). On May 10, 2005, Transco submitted a filing to revise certain tariff provisions included in Section 48 of the General Terms and Conditions, Right of First Refusal Procedures, effective June 9, 2005. Piedmont intervened on May 13, 2005.

srl

EXHIBIT __ (KPM-2)

Demand & Supply Schedule

Carolinas (Total Carolinas)

(All Values in Dtd)

DEMAND	Winter Period:	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Design Day Demand ¹		1,269,001	1,309,609	1,351,516	1,394,765	1,439,398	1,485,459
Reserve Margin (5%)		63,450	65,480	67,576	69,738	71,970	74,273
Firm Redelivery Contracts		17,815	17,815	17,815	17,815	17,815	17,815
Subtotal Demand		1,350,266	1,392,904	1,436,907	1,482,318	1,529,183	1,577,547
Less:							
Firm Redelivery Contracts		(17,815)	(17,815)	(17,815)	(17,815)	(17,815)	(17,815)
Firm Transportation Without Standby ²		(33,217)					
Total Demand		1,299,234	1,375,089	1,419,092	1,464,503	1,511,368	1,559,732
SUPPLY							
Firm Supplies							
Transco	Days						
FT	365	376,016	376,016	376,016	376,016	376,016	376,016
FT Incremental	365	6,440	6,440	6,440	6,440	6,440	6,440
FT PS Conversion	90	6,314	6,314	6,314	6,314	6,314	6,314
FT Southern Expansion	151	72,502	72,502	72,502	72,502	72,502	72,502
FT SE '94/95/96	365	129,485	129,485	129,485	129,485	129,485	129,485
FT-NT ³	365	13,232	13,232	13,232	13,232	13,232	13,232
GSS Storage	55	77,475	77,475	77,475	77,475	77,475	77,475
LNG (formerly LG-A)	5	8,643	8,643	8,643	8,643	8,643	8,643
Sunbelt	365	41,400	41,400	41,400	41,400	41,400	41,400
Transco Total		731,507	731,507	718,275	718,275	718,275	718,275
Columbia Gas							
FTS	365	32,801	32,801	32,801	32,801	32,801	32,801
NTS	365	10,000	10,000	10,000	10,000	10,000	10,000
FSS/SST	59	86,368	86,368	86,368	86,368	86,368	86,368
Columbia Gas Total		129,169	129,169	129,169	129,169	129,169	129,169
Dominion - GSS⁴							
Columbia Gas - Hardy Storage							
East Tennessee - FT⁵							
Firm Supplies Total		860,676	885,676	905,444	944,555	964,111	974,279
Peaking Supplies							
LNG - local	10	227,000	227,000	227,000	227,000	227,000	227,000
Pine Needle	10	15,000	15,000	15,000	15,000	15,000	15,000
Pine Needle	10	248,400	248,400	248,400	248,400	248,400	248,400
Peaking Supplies Total		490,400	490,400	490,400	490,400	490,400	490,400
Subtotal Supply		1,351,076	1,376,076	1,395,844	1,434,955	1,454,511	1,464,679
Less:							
Capacity Release ³		(13,232)	(13,232)				
Projected Release		(38,000)					
Spot Secondary Sale							
Total Supply		1,299,844	1,362,844	1,395,844	1,434,955	1,454,511	1,464,679
Surplus(Deficit)		610	(12,245)	(23,248)	(29,548)	(56,857)	(95,053)

1/ Design Day Demand estimates for 2004-05 and beyond are as of July 2004.

2/ Assumes no Firm Transportation Without Standby under NCNG

3/ Through 2005-2006, capacity releases include FTNT for 13,232 dts.

4/ Dominion GSS will be delivered using Transco FT-NT capacity.

5/ East Tennessee will redeliver quantities taken off TETCO for 2005-06, and redeliver quantities taken off TETCO & Midwestern starting in 2006-07.

<u>Carolinas</u>	
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	959,742
Less: interruptible usage	<u>(101,322)</u>
Total Firm	858,420
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	<u>14,000</u>
Increase in Firm usage to arrive @ design day temperature	<u>56,000</u>
Total Firm Starting Point	914,420
5% Reserve Margin	<u>45,721</u>
Total Firm with 5% Reserve	<u>960,141</u>

<u>NC</u>	
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	754,986
Less: interruptible usage	<u>(69,087)</u>
Total Firm	685,899
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	<u>11,200</u>
Increase in Firm usage to arrive @ design day temperature	<u>44,800</u>
Total Firm Starting Point	730,699
5% Reserve Margin	<u>36,535</u>
Total Firm with 5% Reserve	<u>767,234</u>

<u>NCNG - from Bob Evans and Ricky Herring</u>	
Priority 1.1	118,977
Priority 1.2 - 2.2	70,081
Priority 2.5	9,279
Ft. Bragg (Pty. 1.1)	7,702
Libbey Owens Ford (Pty 5.1)	9,920
Municipalities	74,942
Co Use & Unacct	<u>0</u>
Total Firm Starting Point	290,901
5% Reserve Margin	<u>14,545</u>
Total Firm with 5% Reserve	<u>305,446</u>

<u>SC</u>	
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	204,756
Less: interruptible usage	<u>(32,235)</u>
Total Firm	172,521
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	<u>2,800</u>
Increase in Firm usage to arrive @ design day temperature	<u>11,200</u>
Total Firm Starting Point	183,721
5% Reserve Margin	<u>9,186</u>
Total Firm with 5% Reserve	<u>192,907</u>

Firm Design Day Requirements Excluding Special Firm Transportation Contracts

	Actual FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
North Carolina							
Customer growth %		2.19550%	3.20000%	3.20000%	3.20000%	3.20000%	3.20000%
Total Firm Usage	730,699	746,741	770,637	795,297	820,747	847,011	874,115
5% Reserve Margin	36,535	37,337	38,532	39,765	41,037	42,351	43,706
Total Firm w/ Reserve	<u>767,234</u>	<u>784,078</u>	<u>809,169</u>	<u>835,062</u>	<u>861,784</u>	<u>889,362</u>	<u>917,821</u>
South Carolina							
Customer growth %		1.31540%	3.20000%	3.20000%	3.20000%	3.20000%	3.20000%
Total Firm Usage	183,721	186,138	192,094	198,241	204,585	211,132	217,888
5% Reserve Margin	9,186	9,307	9,605	9,912	10,229	10,557	10,894
Total Firm w/ Reserve	<u>192,907</u>	<u>195,445</u>	<u>201,699</u>	<u>208,153</u>	<u>214,814</u>	<u>221,689</u>	<u>228,782</u>
Carolinas Legacy							
Customer growth %		2.01865%	3.20000%	3.20000%	3.20000%	3.20000%	3.20000%
Total Firm Usage	914,420	932,879	962,731	993,538	1,025,331	1,058,142	1,092,003
5% Reserve Margin	45,721	46,644	48,137	49,677	51,267	52,907	54,600
Total Firm w/ Reserve	<u>960,141</u>	<u>979,523</u>	<u>1,010,868</u>	<u>1,043,215</u>	<u>1,076,598</u>	<u>1,111,049</u>	<u>1,146,603</u>
NCNG							
Customer growth %		2.01865%	3.20000%	3.20000%	3.20000%	3.20000%	3.20000%
Total Firm Usage	290,901	296,773	306,270	316,071	326,185	336,623	347,395
5% Reserve Margin	14,545	14,839	15,314	15,804	16,309	16,831	17,370
Total Firm w/ Reserve	<u>305,446</u>	<u>311,612</u>	<u>321,584</u>	<u>331,875</u>	<u>342,494</u>	<u>353,454</u>	<u>364,765</u>
Total Carolinas							
Total Firm Usage	1,205,321	1,229,652	1,269,001	1,309,609	1,351,516	1,394,765	1,439,398
5% Reserve Margin	60,266	61,483	63,451	65,481	67,576	69,738	71,970
Total Firm w/ Reserve	<u>1,265,587</u>	<u>1,291,135</u>	<u>1,332,452</u>	<u>1,375,090</u>	<u>1,419,092</u>	<u>1,464,503</u>	<u>1,511,368</u>

EXHIBIT __ (KPM-3)

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Design Day DDD 0.0

Budget 2005 Projections

Customers (Excluding NCNG)

	Jan 2005	Jan 2006	Jan 2007	Jan 2008	Jan 2009
Rate 21- Standard SU	175,602	181,572	187,746	194,129	200,730
Rate 01 - Value SU	210,434	217,589	224,987	232,636	240,546
Rate 01 - Value MU	20,722	21,427	22,155	22,908	23,687
Rate 21- Standard MU	28,915	29,898	30,915	31,966	33,053
Rate 02- sm gen svc standard	34,241	35,405	36,609	37,854	39,141
Rate 32 - sm gen svc value	14,075	14,554	15,048	15,560	16,089
Rate 52 - med gen svc standard	88	91	94	97	101
Rate 62 - med gen svc value	304	314	325	336	348
Rate 42 - MF	9	9	9	9	9
Rate 03	34	34	34	34	34
Rate 13	<u>157</u>	<u>157</u>	<u>157</u>	<u>157</u>	<u>157</u>
Total Customers	<u>484,390</u>	<u>500,859</u>	<u>517,888</u>	<u>535,496</u>	<u>553,702</u>

12-Months Ending 3/04

Firm Base Load Requirements Excluding Special Contracts (All Volumes Are Dekatherms)

	Heat Factor	Base Factor	12-Months Ending 3/04
Rate 21- Standard SU	0.01662	0.01759	3,531
Rate 01 - Value SU	0.01938	0.06351	15,277
Rate 01 - Value MU	0.00960	0.05832	1,381
Rate 21- Standard MU	0.00853	0.01899	628
Rate 02- sm gen svc standard	0.07820	0.02104	824
Rate 32 - sm gen svc value	0.05495	1.23332	19,843
Rate 52 - med gen svc standard	2.38264	1.20353	121
Rate 62 - med gen svc value	0.67433	21.61816	7,512
Rate 42 - MF	0.04183	3.13438	28
Rate 03	2.02915	50.97706	1,733
Rate 13	2.31604	120.14913	18,863
Co Use & Unacct	1.80%		<u>1,255</u>
Requirements (w/o NCNG)			69,351
Reserve Margin(5%)			<u>3,468</u>
Total Demand (w/o NCNG)			<u>72,819</u>

South Carolina
Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Design Day DDD

0.0

Budget 2004 Projections

Customers

	Jan 2005	Jan 2006	Jan 2007	Jan 2008	Jan 2009
Rate 21- Standard SU	56,441	58,247	60,111	62,035	64,020
Rate 01 - Value SU	46,070	47,544	49,066	50,636	52,256
Rate 01 - Value MU	5,617	5,797	5,982	6,174	6,371
Rate 21- Standard MU	5,057	5,219	5,386	5,558	5,736
Rate 02- sm gen svc standard	9,879	10,195	10,521	10,858	11,206
Rate 32 - sm gen svc value	4,474	4,617	4,765	4,917	5,075
Rate 52 - med gen svc standard	25	26	27	27	28
Rate 62 - med gen svc value	85	88	91	93	96
Rate 42 - MF	2	2	2	2	2
Rate 03	16	17	17	18	18
Rate 13	41	42	44	45	47
Total Customers	127,650	131,735	135,950	140,301	144,790

12-Months Ending March, 2004

Firm Base Load Requirements Excluding Special Contracts (All Volumes Are Dekatherms)

	Heat Factor	Base Factor	12-Months Ending 3/04
Rate 21- Standard SU	0.01720	0.01844	1,181
Rate 01 - Value SU	0.02091	0.06564	3,430
Rate 01 - Value MU	0.00910	0.06261	399
Rate 21- Standard MU	0.00919	0.02198	126
Rate 02- sm gen svc standard	0.07002	0.02338	262
Rate 32 - sm gen svc value	0.05139	1.19398	6,059
Rate 52 - med gen svc standard	2.54455	3.26313	93
Rate 62 - med gen svc value	0.68824	24,15713	2,329
Rate 42 - MF	0.00000	11.85753	27
Rate 03	1.23084	63.89640	1,160
Rate 13	1.51885	105.26096	4,895
Co Use & Unacct	1.80%		359
Total Requirements			20,320
Reserve Margin(5%)			1,016
Total Demand			21,336

Carolinas'

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Design Day Degree Days

North Carolina 0.0

South Carolina 0.0

Budget 2004 Projections

Customers

	Jan 2005	Jan 2006	Jan 2007	Jan 2008	Jan 2009
Rate 21- Standard SU	232,043	239,820	247,857	256,164	264,749
Rate 01 - Value SU	256,504	265,133	274,052	283,272	292,802
Rate 01 - Value MU	26,339	27,223	28,137	29,082	30,058
Rate 21- Standard MU	33,972	35,117	36,300	37,524	38,789
Rate 02- sm gen svc standard	44,120	45,600	47,130	48,712	50,346
Rate 32 - sm gen svc value	18,549	19,171	19,813	20,477	21,164
Rate 52 - med gen svc standard	113	117	121	125	129
Rate 62 - med gen svc value	94	97	100	102	105
Rate 42 - MF	36	36	36	36	36
Rate 03	198	199	201	202	204
Rate 13					
Total Customers (w/o NCNG)	611,770	632,313	653,547	675,494	698,179

12-Months Ending 3/04

Firm Base Load Requirements Excluding Special Contracts (All Volumes Are Dekatherms)

Rate 21- Standard SU	4,130	4,268	4,410	4,559	4,712
Rate 01 - Value SU	16,389	16,940	17,510	18,099	18,707
Rate 01 - Value MU	1,561	1,613	1,667	1,723	1,780
Rate 21- Standard MU	660	683	705	729	754
Rate 02- sm gen svc standard	951	983	1,016	1,050	1,086
Rate 32 - sm gen svc value	22,701	23,462	24,248	25,061	25,902
Rate 52 - med gen svc standard	188	194	200	207	214
Rate 62 - med gen svc value	8,625	8,914	9,213	9,522	9,841
Rate 42 - MF	52	52	53	54	55
Rate 03	2,755	2,788	2,822	2,857	2,893
Rate 13	23,179	23,317	23,459	23,606	23,758
Co Use & Unacct	1,462	1,498	1,535	1,574	1,614
Total Requirements (w/o NCNG)	82,653	84,712	86,838	89,041	91,316
Reserve Margin(5%)	4,133	4,236	4,342	4,452	4,566
Total Demand (w/o NCNG)	86,786	88,948	91,180	93,493	95,882

NCNG

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Design Day DDD

0.0

Budget 2004 Projections

Customers (Excluding NCNG)

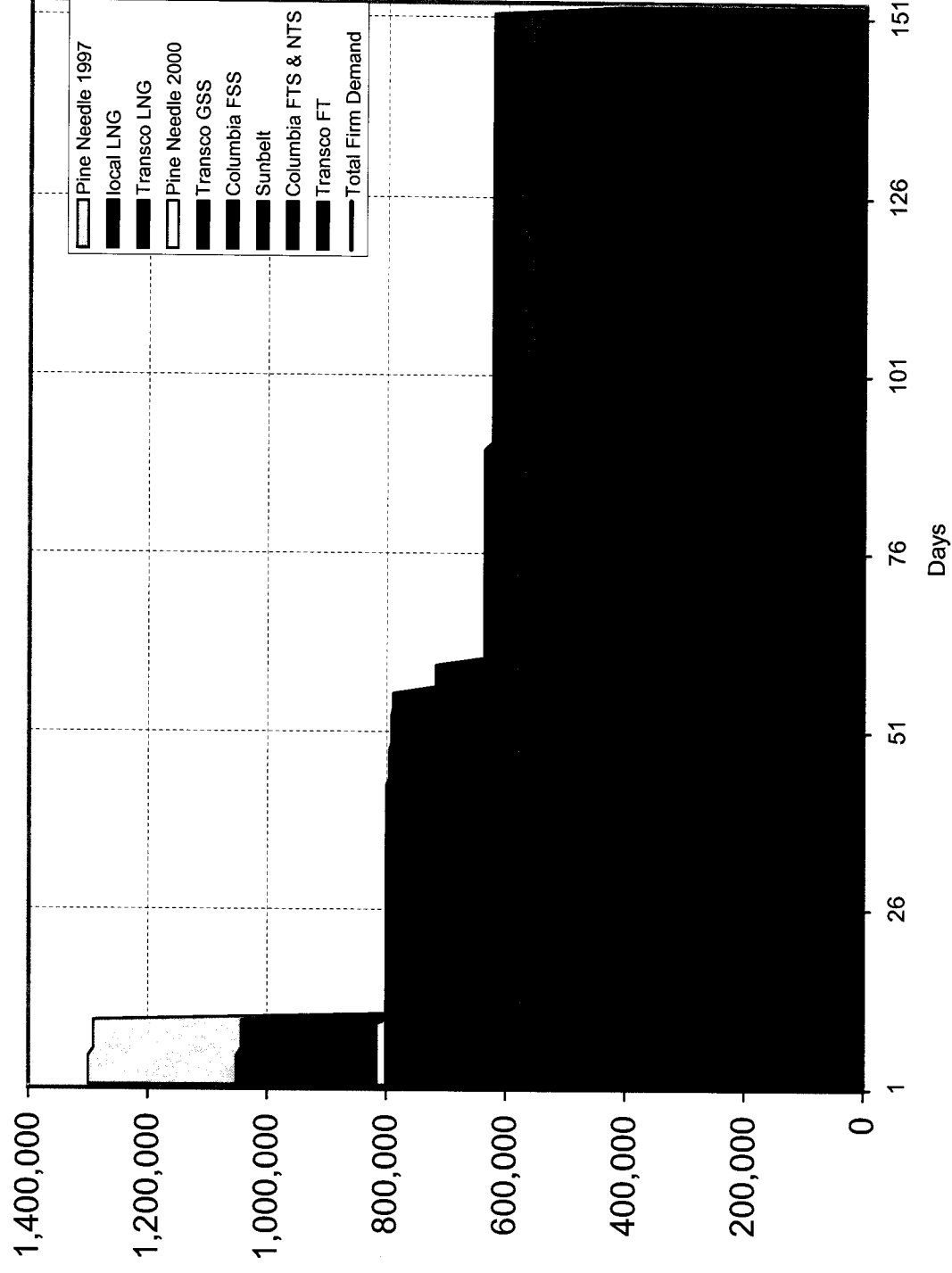
	Jan 2005	Jan 2006	Jan 2007	Jan 2008	Jan 2009
Rate 21- Standard SU	2,057	2,127	2,199	2,274	2,351
Rate 01 - Value SU	110,915	114,686	118,585	122,617	126,786
Rate 01 - Value MU	9	9	10	10	10
Rate 21- Standard MU	6	6	6	7	7
Rate 02- sm gen svc standard	485	501	519	536	554
Rate 32 - sm gen svc value	14,875	15,381	15,904	16,444	17,004
Rate 52 - med gen svc standard	3	3	3	3	3
Rate 62 - med gen svc value	135	140	144	149	154
Rate 42 - MF	0	0	0	0	0
Fort Bragg	1	1	1	1	1
Municipalities	4	4	4	4	4
Total Customers	128,490	132,858	137,376	142,046	146,876

12-Months Ending 3/04

Firm Base Load Requirements Excluding Special Contracts (All Volumes Are Dekatherms)

	Heat Factor	Base Factor	12-Months Ending 3/04
Rate 21- Standard SU	0.02095	0.03745	88
Rate 01 - Value SU	0.01912	0.05795	7,347
Rate 01 - Value MU	0.00664	0.01620	0
Rate 21- Standard MU	0.01104	0.01758	0
Rate 02- sm gen svc standard	0.07002	0.02338	13
Rate 32 - sm gen svc value	0.05139	1.19398	20,302
Rate 52 - med gen svc standard	0.13005	0.72557	2
Rate 62 - med gen svc value	1.51965	16.99207	2,622
Rate 42 - MF	0.04183	3.13438	0
Fort Bragg			0
Municipalities			3,300
Co Use & Unacct			15,100
			897
Requirements			48,655
Reserve Margin(5%)			2,433
Total Demand			51,088
			52,155
			1.84%

EXHIBIT __ (KPM-4)



2004-05 Load Duration Curve Design Day & Critical Winter - Total Carolinas Firm Capacity and Forecasted Demand

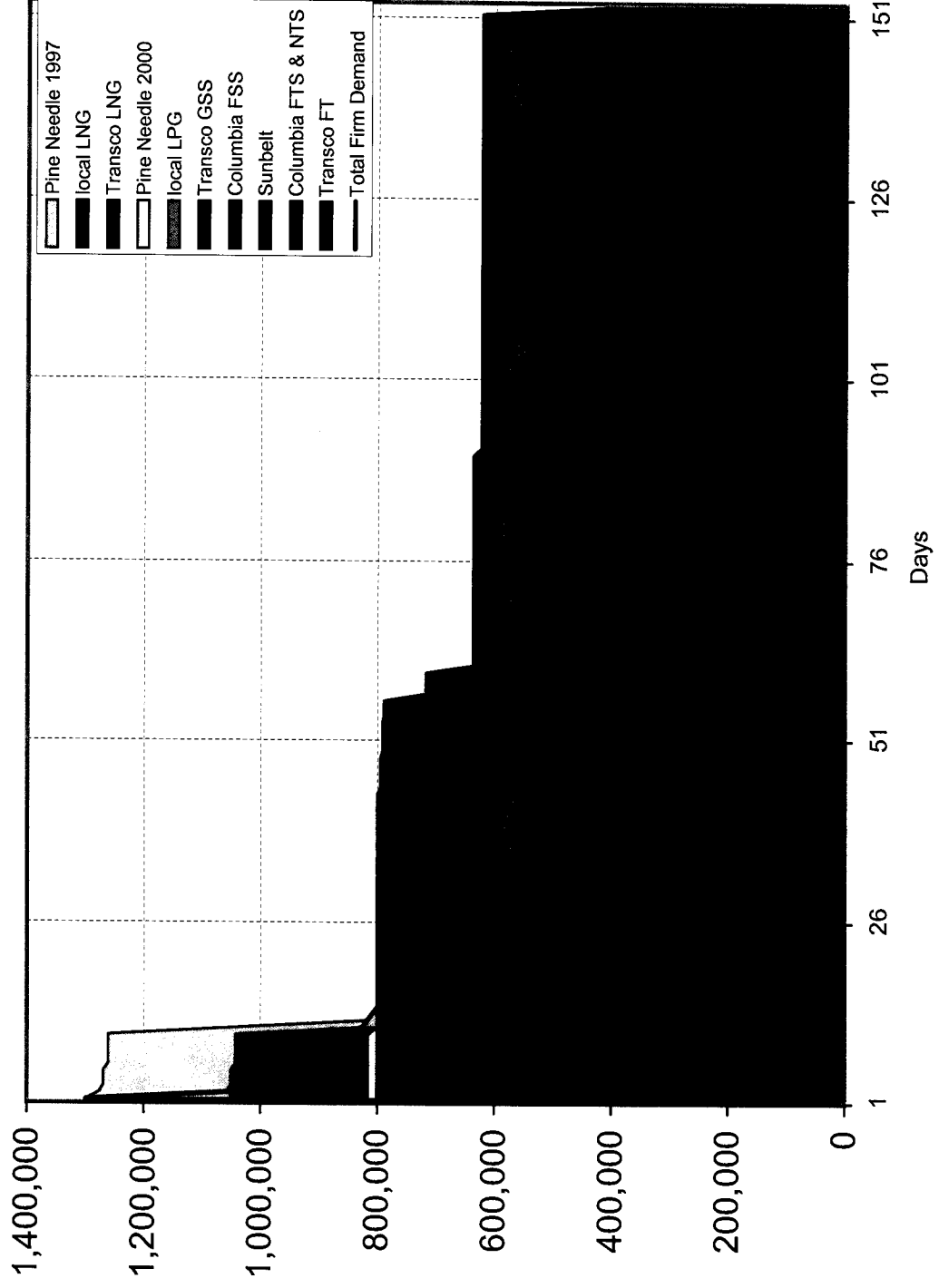


EXHIBIT __ (KPM-5)

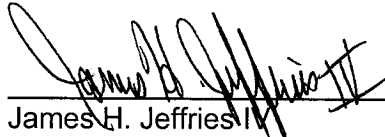
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Direct Testimony and Exhibits of Keith P. Maust* is being served upon each party of record in this proceeding via UPS Overnight, shipping prepaid to the following:

Benjamin P. Mustian, Counsel
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201

Scott Elliott, Counsel
South Carolina Energy Users Committee
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205

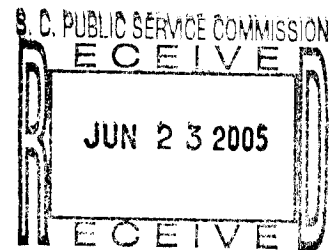
This the 22nd day of June, 2005.



James H. Jeffries

**Before The
South Carolina Public Service Commission**

Docket No. 2005-4-G



**Direct Testimony and Exhibits
of
Ann H. Boggs
On Behalf Of
Piedmont Natural Gas Company, Inc.**



June 22, 2005

1 **Q. Please state your name and business address.**

2 A. My name is Ann H. Boggs. My business address is 1915 Rexford Road, Charlotte,
3 North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**
5 **Natural Gas Company ("Piedmont")?**

6 A. I am Director of Gas Accounting at Piedmont. In this position, I directly supervise
7 and am responsible for the recording of all accounting entries relating to gas
8 expenses and gas inventory.

9 **Q. Please briefly describe your education and experience.**

10 A. I graduated from the University of North Carolina at Chapel Hill with a Bachelor's
11 Degree in Business Administration in December 1979. I was employed by the
12 accounting firm of A.M. Pullen and Company until January 1983. In January 1983,
13 Piedmont employed me as a Staff Accountant. In August 1986, I was promoted to
14 the position of Supervisor of Gas Accounting, and in August 1987, I was promoted
15 to the position of Manager of Gas Accounting. I was promoted to the position of
16 Director of Gas Accounting in November 1993. I have testified in each Piedmont
17 prudence case since this Commission established such proceedings. I am a Certified
18 Public Accountant in the State of North Carolina.

19 **Q. Please describe your responsibilities as Director of Gas Accounting.**

20 A. My responsibilities include: recording the cost of gas on Piedmont's books,

1 maintaining a proper match of revenues and cost of gas in Piedmont's income
2 statements, recording Piedmont's margin in accordance with regulatory
3 requirements in each of the three state jurisdictions in which Piedmont operates,
4 verifying volumes and prices on all invoices relating to the purchase and
5 transportation of natural gas, and recording customer escrow and gas inventory
6 accounts. I am also responsible for the middle office functions related to the
7 experimental hedging program implemented in South Carolina pursuant to
8 Commission Order No. 2002-223 dated March 26, 2002.

9 **Q. What is purpose of your testimony in this proceeding?**

10 A. The purpose of my testimony in this docket is to assure the Commission that the
11 current true-up procedures result in a properly stated cost of gas and that Piedmont's
12 gas costs are properly recorded in compliance with Piedmont's Gas Cost Recovery
13 Mechanism and experimental hedging plan.

14 **Q. Does the Commission Staff review your accounting for the cost of gas?**

15 A. Yes. The Commission ordered Piedmont to maintain an account reflecting its gas
16 costs each month, the amount of gas costs recovered each month, and amounts
17 deferred each month. Piedmont was further ordered to file with the Commission a
18 monthly report showing the status of this account. Piedmont maintains the account
19 as required by that order and files a report with the Commission each month as
20 required. The Commission Staff reviews these reports and also reviews the detail

1 data supporting the accounting entries to that account. Effective April 1, 2002,
2 Piedmont implemented an experimental natural gas hedging program pursuant to
3 Commission Order No. 2002-223. Piedmont has maintained the hedging account
4 and has filed the reports with the Commission on a quarterly basis as required by
5 Order No. 2002-223. This information and supporting documentation were
6 provided to the Commission Staff for their review. I have also attached as exhibits
7 the analysis of the South Carolina Gas Cost Deferred Account (Exhibit __ (AHB-
8 1)) and the Hedging Deferred Account (Exhibit __ (AHB-2)).

9 **Q. Do Piedmont's independent auditors also review your recording of the cost of**
10 **gas?**

11 A. Yes. Piedmont's independent auditors thoroughly review the recording of our gas
12 costs, at least quarterly, since cost of gas is the single largest expenditure on
13 Piedmont's statement of income.

14 **Q. In your opinion is Piedmont's Gas Cost Deferred Account balance properly**
15 **stated at March 31, 2005?**

16 A. Yes.

17 **Q. What is that balance?**

18 A. (\$8,429,722.25).

19 **Q. In your opinion is Piedmont's Hedging Deferred Account balance properly**
20 **stated at March 31, 2005?**

1 A. Yes.

2 **Q. What is that balance?**

3 A. (\$598,053.03).

4 **Q. Does Piedmont have any proposals for the Hedging Deferred Account balance**
5 **in this proceeding?**

6 A. Yes. Consistent with prior Commission Orders in annual gas cost review
7 proceedings, Piedmont proposes that the balance in the Hedging Deferred Account
8 be transferred to the Gas Cost Deferred Account.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

EXHIBIT __ (AHB-1)

Piedmont Natural Gas Company, Inc. - South Carolina
Gas Cost Deferred Account Activity
Annual Prudence Review - Docket No. 2005-4-G
12 Months Ended March 31, 2005

Exhibit ____ (AHB-1)

	<u>Beginning Balance</u>	<u>Billed vs Filed</u>	<u>Proration Adjustment</u>	<u>Demand True-up</u>	<u>Negotiated Losses</u>	<u>Sec Mkt Sharing</u>	<u>WNA</u>	<u>Interest</u>	<u>Annual Line Loss Adjustment</u>	<u>Other</u>	<u>Ending Balance</u>
Apr-04	1,400,528.98	157,235.00		(45,279.00)	(111,863.70)	88,478.02	1,020.12	4,854.88			1,494,974.30
May-04	1,494,974.30	(227,183.00)		(826,285.00)	(145,753.00)	69,072.20	332.13	13,465.63			378,643.26
Jun-04	378,643.26	(501,331.00)		(1,017,561.00)	(147,192.22)	88,879.31	(1.04)	(3,111.92)			(1,201,674.61)
Jul-04	(1,201,674.61)	(295,799.00)		(1,100,919.00)	(124,433.16)	(17,259.76)	137.46	(15,238.58)			(2,755,186.65)
Aug-04	(2,755,186.65)	(31,906.00)	61,334.00	(1,092,483.00)	(59,666.00)	(19,776.18)	0.98	(25,641.27)			(3,923,324.12)
Sep-04	(3,923,324.12)	475,026.00		(974,974.00)	(60,744.00)	10,870.30	(7.62)	(32,361.42)			(4,505,514.86)
Oct-04	(4,505,514.86)	174,134.00		(854,985.00)	(59,296.56)	68,608.81	-	(40,653.84)	287,005.00	(1)	(4,930,702.45)
Nov-04	(4,930,702.45)	(1,154,975.00)	(39,260.00)	(541,563.00)	(69,780.81)	(20,458.49)	(541,231.48)	(42,688.17)			(7,340,659.40)
Dec-04	(7,340,659.40)	(2,828,956.00)		679,996.00	(167,111.04)	17,908.99	(760,825.95)	(72,899.35)			(10,472,546.75)
Jan-05	(10,472,546.75)	649,240.00		1,498,588.00	(172,294.00)	181,344.68	(761,220.14)	(79,883.31)			(9,156,791.52)
Feb-05	(9,156,791.52)	(1,085,641.00)	(272,978.00)	1,658,089.00	(119,396.00)	55,202.99	400,496.32	(71,165.92)		(412,333.00)	(9,004,517.13)
Mar-05	(9,004,517.13)	(1,278,049.00)		1,012,441.00	(86,751.00)	69,446.58	924,498.63	(66,791.33)			(8,429,722.25)

- (1) Annual line loss true-up as required by Piedmont's Gas Recovery Mechanism
(2) Transfer of March 2004 balance to the Gas Cost Deferred Account

EXHIBIT __ (AHB-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Deferred Account Activity
Annual Prudence Review - Docket No. 2005-4-G
12 Months Ended March 31, 2005

Exhibit ____ (AHB-2)

	<u>Beginning Balance</u>	<u>Premiums</u>	<u>Fees</u>	<u>Margin Requirement</u>	<u>Proceeds</u>	<u>Fees</u>	<u>Interest</u>	<u>Program Expenses</u>	<u>Other</u>	<u>Ending Balance</u>
Apr-04	(412,332.99)				23,880.00	(480.00)	(3,093.05)	-		(392,026.04)
May-04	(392,026.04)				193,040.00	(1,240.00)	(2,823.67)	(964.96)		(204,014.67)
Jun-04	(204,014.67)	450.00	(2,160.00)		74,250.00	(1,000.00)	(1,782.51)	(2,865.03)	(73,250.00)	(210,372.21)
Jul-04	(210,372.21)	(129,100.00)	(1,232.26)		11,340.00	(240.00)	(2,350.19)	(99.53)	73,250.00	(348,204.19)
Aug-04	(348,204.19)	(64,350.00)	(1,900.00)	(89,400.00)			(4,593.91)	(454.84)		(740,237.94)
Sep-04	(740,237.94)	(156,530.00)	(1,140.00)	(320,735.00)			(7,717.82)	(454.85)	(0.01)	(1,050,298.62)
Oct-04	(1,050,298.62)	(221,900.00)	(1,180.00)	(144,218.00)	419,040.00	(3,500.00)	(7,582.43)	(850.10)	(480,260.00)	(792,158.15)
Nov-04	(792,158.15)	(132,260.00)	(920.00)				(5,356.47)	(59.59)	480,260.00	(450,494.21)
Dec-04	(450,494.21)	(135,480.00)	(920.00)				(4,408.65)	(454.85)	(0.01)	(591,757.72)
Jan-05	(591,757.72)	(157,440.00)	(5,460.00)				(4,493.01)	(395.25)		(759,545.98)
Feb-05	(759,545.98)	(165,980.00)	(920.00)				(8,638.38)	(514.45)	412,333.00 (A)	(523,265.81)
Mar-05	(523,265.81)	(141,150.00)	(960.00)		73,740.00	(1,040.00)	(4,922.37)	(454.85)		(598,053.03)

(A) Transfer of March 2004 balance to the Gas Cost Deferred Account


CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Direct Testimony and Exhibits of Ann H. Boggs* is being served upon each party of record in this proceeding via UPS Overnight, shipping prepaid to the following:

Benjamin P. Mustian, Counsel
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201

Scott Elliott, Counsel
South Carolina Energy Users Committee
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205

This the 22nd day of June, 2005.



James H. Jeffries